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Innolux Corporation
2020 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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F. Corporate Website: http://www.innolux.com

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I.Letter to Shareholders

1.1 Report on operating results for 2020

The world experienced an unprecedented crisis in 2020, and governments around the world took decisive measures in response. According to the IMF (International Monetary Fund), the total amount of fiscal measures introduced by countries was nearly US$12 trillion, and the size of monetary policy measures reached about US$7.5 trillion. Despite the unprecedented actions taken by governments, the global outlook remains uncertain and countries are embarking on a long climb, full of difficult unevenness and uncertainty, and prone to reversals, making it all the more important for businesses to operate with caution and prudence.

After years of fierce competition in the display technology industry, the major trend in 2020 was to continue to consolidate the industry, with a number of plant closures and business mergers, including the withdrawal of major Korean companies and second-tier Chinese companies. The industry pattern tended to converge and stabilize, and the competition pattern changed from a capacity competition to a healthy competition pattern focusing on technology accumulation, product development and operational efficiency improvement. This was both a challenge and an opportunity for the Company.

With the release of new energy vehicle plans in various countries, 5G and the Internet of Things becoming popular and driving demand for applications, as well as the easing of global trade conflicts, economic data is gradually showing an improving trend. The Company will continue to adjust its business strategies, refine new technologies, develop new applications, continuously increase the added value of its products, pursue high-end technology products, and develop emerging markets in order to create maximum benefits for the Company, its shareholders, customers and partners through the improvement of technology and overall product quality.

In light of the risks associated with the COVID-19 epidemic and the new variant of the virus, market uncertainty has increased and the global economy remains extremely affected. In this fast-changing and difficult time, enterprises, governments, schools, organizations and private institutions around the world are launching various countermeasures to prevent and control the epidemic, while also generating more business opportunities to prevent and control the epidemic, while also stimulating more business opportunities. The Company will implement epidemic prevention procedures to the highest standards, promote top-notch technological innovation, implement profit-oriented product strategies, maximize the value of production capacity, and actively strengthen its long-term competitiveness and financial strength to demonstrate the results of the "Transformation, Reengineering, and Value Advancement" strategy and create greater benefits for shareholders.

(I) Results of business plan implementation and budget execution

For 2020, the Company consolidated sales revenue was NT$269,911,051 thousand, up NT$17,939,842 thousand, or 7.1%, compared with 2019 (2019's consolidated net sales revenue was NT$251,971,209 thousand). For 2020, the net profit attributable to shareholders of parent company was NT$1,636,144 thousand, and the earnings per share was NT$0.17.

No financial forecast has been disclosed for 2020, therefore there is no need to disclose budget execution.

(II) Financial receipts and expenditures and profitability analysis

Items		2019	2020
Capital Structure (%)	Debts to assets ratio	37.23	37.41
	Long-term capital to property, plant, and equipment ratio	129.16	146.59
Solvency	Current ratio (%)	120.12	145.79
	Quick ratio (%)	88.51	114.66
	Interest coverage multiplier (times)	(15.02)	3.49
Profitability	Return on assets (%)	(4.25)	0.66
	Return on equity (%)	(7.16)	0.70
	Operating profits as a percentage of paid-in capital (%)	(20.53)	1.82
	Net profits before tax as a percentage of paid-in capital (%)	(17.02)	2.57

	Net profit margin (%)	(6.92)	0.61
	Earnings per share (NT$)	(1.77)	0.17

(III) Research and development

TFT-LCD technology is rapidly expanding in both depth and breadth of application. In terms of breadth, the combination of TFT (Thin Film Transistor) and liquid crystal field effect technology on panels has resulted in a number of pioneering products that are gaining market attention and extending the value of panels into different fields.

In the field of communications, Innolux has developed the LC Meta-Surface Antenna products. Compared with traditional dish antennas, the LC Meta-Surface Antenna can track satellites without the need for a motor device, is lightweight and flat, and has the same broadband, high pointing and wide angle scanning performance with lower power consumption, so is very suitable for the future development of low-orbit communication.

In the field of architecture, Innolux's Smart LC Window technology will have an exhibition for the first time, covering applications such as smart dimming windows and smart projection windows, actively laying out new opportunities in the non-display field.

Others are in the medical field (X-Ray Detector), and semiconductor packaging (PLP, Panel Level Package) are also progressing rapidly.

In the core panel business, in response to the strong demand for panels for various applications, the Company has continued to cultivate and develop its value-added and differentiated products for various applications, and has continued to build up its leading technology and competitive advantage.

In terms of automotive display applications, it is expected that the automotive market will develop towards large displays in the future, developing a visual experience suitable for the cabin experience. The cutting technology and curved display technology that match the interior design of automobiles are already being studied and are entering mass production. In addition to the styling advancement of display panels, the high security protective glass required for automotive displays is also the focus of our vertical integration to achieve the stringent requirements of high uniformity, low reflection, and anti-glare for automotive regulations at various viewing angles.

TV panel products are also extended from the original OC (Open-Cell) and panel modules to the complete TV sets, covering 24"/32"/40"/43"/50"/65 "Compared with OC products of the same size, complete TV products can not only generate more than 2~2.5 times of revenue, but also extend the related technology to high-end large-size products, and at the same time drive the industry chain to upgrade together. In 2019, in response to the government's investment plan in Taiwan, we established a complete product assembly line with high value-added automated production to drive industrial upgrading and play an important role in flexible adjustment at the critical moment of changing global trade conditions, providing irreplaceable value to the industry and customers.

At the same time, we are expanding the size of the public information display (PID) niche market, which is expected to generate high gross margins and has the potential for over 20% annual growth in the future, setting high growth targets.

In terms of Notebook panels, we have been working with major brand customers to introduce WQXGA 240Hz/FHD 480Hz (High Frame Rate) into LTPS (Low Temperature Polycrystalline Silicon) / IGZO advanced process technology and exclusively supply to the world's leading customers. In addition, we have developed High Contrast Ratio 3000:1 (compared to 800~1000:1 by other industry players) and narrow Border 1.5mm products and ePrivacy Display to significantly improve the display quality, and combined with various advanced technological breakthroughs, we have also developed new Aspect Ratio 3:2⁄16:10 products and miniLED Display, which have improved the performance of TFT-LCD panels over OLED panels in key factors such as cost structure and quality reliability.

Small and medium-sized panels are being diversified in size, from 1.4" to 10", and are widely used in mobile devices and consumer electronics, including smartphones, tablet PCs, smart appliances, smart speakers, smart watches, VR head-mounted displays (HMDs), digital cameras, MFP multi-function printers, and entertainment game consoles. In terms of technology, LTPS and IPS are used to meet the market demand for high resolution and wide viewing angle. The development trend of small and medium-sized panels will move towards new specifications such as low power consumption, dynamic refresh rate, full screen, drilling and free form cutting to enhance product value. At the same time, we are committed to the full development of miniLED products in various applications, providing high contrast, high brightness, and ultra-low power consumption of the new generation of displays, effectively combining our advanced technology and mass production capabilities, and working closely with major customers worldwide for a win-win situation.

With the application of touch technology in various mobile devices, the Company has been actively developing integrated touch solutions to successfully improve the optical and integrated functions of touch panels. We were the first in the industry to introduce TOD (Touch On Display) touch solutions, widely used for cellphones, tablet PC, and notebooks. With the development of embedded integrated touch technology and

mature supply chain, TID (Touch In Display) touch solutions have been developed to make the products more compact and slim. At this stage, we are injecting 3D touch DST (Deep sensing technology) technology and Active stylus solution under the existing TID (Touch In Display) framework, and continue to develop new technologies such as fingerprint recognition on LCD substrate and under-screen camera, and actively apply them to cellphones, tablets, consumer electronics, automotive and IT products to provide customers and consumers with better product experience. Our goal is to become a total touch integration solution provider covering displays, touch screens and protective glass.

(IV) The Company's digital transformation

As a key component in the display technology industry, "panel" has a wide range of products with high complexity, and the cost and quality requirements are becoming increasingly challenging. Through the introduction of Industry 4.0 intelligent technology, the Company is committed to speeding up time-to-market, responding quickly to customer needs, and reducing material risks on the management side, and focusing on solving recruitment management problems, improving production quality, and reducing production costs on the production side.

In response to the strategic needs of the market from end-to-end supply chain to design/manufacturing/quality/management, we are promoting digital transformation with two main themes of smart manufacturing and flexible decision making to optimize production processes and organizational management. And under the operation of dual transformation strategy, with the original advantage and flexible cross-field ability, we create new application fields and inject new vitality into the industry. We continue to combine big data and artificial intelligence to link front and back-end intelligent factories and build decentralized decision-making systems to achieve technological improvement and productivity multiplier benefits.

1. Intelligent manufacturing:

Our intelligent manufacturing integrates three development axes: X-axis (automation), Y-axis (data), and Z-axis (intelligence), and closely combines three types of talents (field experts, data scientists, and data technology experts) to create the world's leading zero-touch light-off, manual-free factory.

After years of hard work, the Company has the following advanced 4.0 technologies, which are applied in various areas of the factory.

Precise design: Design combined with Digital Twin technology for high quality and faster product development cycle.

Smart Production: From pre-production intelligent scheduling, intelligent DOE, intelligent dispatching...etc. to in-production and post-production equipment health diagnosis, virtual measurement, intelligent parameter monitoring, intelligent feedback control, intelligent logistics, intelligent monitoring...etc., all 4.0 Solution technologies are integrated into a highly intelligent Zero Worry factory with self-awareness, memory, operation, response and learning.

Intelligent inspection: Develop AI technology to replace manual visual inspection with image big data, significantly reducing inspection manpower and improving overall inspection quality.

In addition, further facilitate intelligent energy saving/intelligent factory administration/intelligent storage/intelligent personnel management...etc. With overall increase in quality and efficiency and reduction in costs and inventory and other bright results.

2. Flexible decision-making advancement:

Promote intelligent management in all aspects, optimize the quality and efficiency of decision making, and enhance the value of the Company. Use BI (Business Intelligent) operation as the cornerstone to create transparent information for decision making; optimize the data and intelligent application of key processes such as industry analysis, star products, profitability menu, capacity scheduling, and revenue analysis. Effectively link various functional platforms & processes; It provides multi-dimensional, real-time, and accurate visual decision support information to assist decision makers in managing risks and creating opportunities from Top Down; It also extends to Bottom up to improve operational efficiency at all levels, interact, link, and substantiate the results of execution, to nurture our data-driven corporate culture, and to move toward the goal of zero-error decision-making.

As a leading manufacturer of display technology solutions, the Company values the rapid changes in customer needs and is committed to building an intelligent digital system to achieve information value chain integration from customers, suppliers to production, including rapid response to customer needs and use of intelligent material scanning engine for optimal material allocation. Combined with the out-of-materials risk management platform, we are able to accurately predict material shortages and improve the order fulfillment rate by 42%.

Through the implementation of Industry 4.0, we promote intelligent manufacturing and intelligent light-off factories and use DFA product design to develop competitive products. Combining expert knowledge and

scheduling algorithms to achieve scheduling optimization, we use machine IoT information to monitor process parameters in real time and make corrections immediately, and develop AI inspection technology to improve product quality and increase production efficiency by 1.2 times.

The Company will continue to promote the concept of "Transformation, Reengineering, and Value Advancement" to create a new landscape for next-generation display applications through digital transformation and to solidify its leading position in the display technology industry.

1.2 Summary of Business Plan for 2021

Dual-track transformation, leap with value, exceeding panels, building Made by Innolux with focus on new innovative field applications, integration and then victory

(I) Adding value to existing display application

1. "Technology refinement, product upgrade" concept, providing customization, high quality, seamless integration of panels and systems of the full range of services.
2. High-end product applications cover 8K/4K UD, naked eye 3D, flexible fingerprint recognition, and Diverse Touch Solution, leading the market in setting specifications and innovation.
3. The world's No. 1 brand of medical display panels, with high quality panels for diagnostic, surgical, and ultrasound applications in small quantities and high quality, and the extension of medical equipment - flexible and portable X-ray detectors - to protect the wholesomeness of the medical system.
4. Cultivate the automotive market with "4I value innovation," with dedication to the innovation of high resolution image, human-machine interaction, car network integration and Industry 4.0 for automotive panels.

(II) Next-generation and cross-domain non-display application innovation

1. Cross over to the semiconductor packaging industry and transform the existing production line into a "Fan-out Panel Level Package" (FOPLP) advanced factory.
2. Actively make footprints in miniLED and microLED advanced display technologies, introducing AM microLED splicing and Rollable AM miniLED displays to focus on display fields where LCDs are not applicable.
3. Aim at Beyond 5G innovative applications, and develop LC Meta-Surface Antenna to drive the rise of Taiwan's satellite communication industry.

(III) Digital transformation with promotion of Innolux 4.0 to realize intelligent production

1. Layer the foundation and promote the "lighthouse factory," and the front end of the factory is the smart manufacturing plant, and the back end of the factory is the E2E value chain integration, from six streams of digitalization, sustainable management, epidemic prevention and safety, etc., linking production manufacturing and global industrial chain to implement smart production.
2. The front end of the automated factory uses IoT, big data information technology, and full automation of logistics to create a new generation of unmanned light-off production plant; the back end of the smart industrial city implements vertical integration and a high degree of component self-production to provide thorough manufacturing processes and services from panels to complete products

In 2021, the Company will continue to promote technological innovation, implement profit-oriented product strategies, maximize the value of production capacity, and actively strengthen its long-term competitiveness and financial constitution to demonstrate the results of the "Transformation, Reengineering, and Value Advancement" strategy. We ask for your continued support and encouragement. Lastly, I wish everyone good health and the best of luck. Thank you.

Chairman: Jin-Yang Hung Manager: Chu-Hsiang Yang Chief Accountant: Kun Ma

II. Company Profile

2.1 Date of Incorporation: January 14 2003

2.2 Company History

January 2003	Inception and registration of the Company
March 2003	Invested in a subsidiary, Innolux Holding Ltd.
May 2003	Ground breaking ceremony for the TFT and Color Filter Plant in Jhunan
August 2003	The TFT and Color Filter Plant in Jhunan commenced construction
March 2004	Entered into a 7-year NT$20 billion syndicated loan contract with a syndicate including Bank of Communications
June 2004	Machinery installation started in the TFT factory and Color Filter Plant in Jhunan
September 2004	Birth of the first TFT-LCD panel
October 2004	Invested in Innocom Technology (Shenzhen) Ltd. in China
January 2005	Public issuance of the Company's shares approved by the Financial Supervisory Commission
February 2005	Invested in Innolux Corporation Ltd. in the U.S.
March 2005	Obtained ISO 9001 certification Granted the "2005 Outstanding Award in Makingthe Science Park Green by Planting Trees" by the Science Park Administration
July 2005	Registered as an emerging stock on the GreTai Securities Market Obtained ISO 14001 and OHSAS 18001 certifications
August 2005	Ranked 51st nationwide in actual import/export performance in 2004 Granted the Excellent Award in Import/Export Performance by the Ministry of Economic Affairs and Bureau of Foreign Trade
November 2005	Recognized as an outstanding waste disposal model factory by the Environmental Protection Administration, Executive Yuan
December 2005	Recognized as an Occupational Safety and Health Administration Voluntary Protection Unit by the Council of Labor Affairs, Executive Yuan
October 2006	Shares became listed on the Taiwan Stock Exchange on 24 October
November 2006	The Board passed the resolution of merging with Jemitek Electronics Corp. on 21 November
March 2007	Completed merger with Jemitek Electronics Corp.
June 2007	Invested in InnoJoy Investment Corporation
August 2007	Invested in InnoFun Investment Corporation
November 2007	Global Deposit Receipts became listed on the London Stock Exchange on 7 November
June 2008	Topping out ceremony for the sixth generation factory of the Company
July 2008	Granted the "Outstanding Award in Making Green by Planting Trees" by the Science Park Administration Recognized as one of the TOP 10 Leading Companies among the "Taiwan Technology Top 100" Ranked sixth among Deloitte Technology FAST50 Taiwan in terms of profit growth
September 2008	Entered into a 5-year NT$24 billion and US$200 million syndicated loan contract with a syndicate of 20 banks including Mega International Commercial Bank Selected as one of the 12 units in the national industrial group by the Water Assessment Programme organized by the Ministry of Economic Affairs
October 2008	Received the Bronze Award of the national QCC Competition from the Corporate Synergy Development Center of the Industrial Development Bureau, Ministry of Economic Affairs
	Granted the 2008 Excellence Award in Recycling and Reducing Waste Production by the Environmental Protection Administration, Executive Yuan
November 2008	Recognized as a nationwide friendly workplace in 2008 by the Council of Labor Affairs, Executive Yuan

December 2008	Granted the 2008 Outstanding Water Conservation Award by the Water Resources Agency, Ministry of Economic Affairs Honored with the "2008 Taiwan CSR Awards-Silver Award" by the Taiwan Institute for Sustainable Energy
February 2009	Innolux Display's Fab T1 passed and obtained the Taiwan Occupational Safety and Health Management System (TOSHMS) certification
April 2009	Innolux Display's Fab T1 was granted the excellent award in achieving zero work accident hours by the Council of Labor Affairs
May 2009	Innolux Display's Fab T2 obtained ISO 9001/ISO 14001/OHSAS 18001/QC 080000 4-in-1 management system certification
June 2009	Granted the 2008 excellent personnel award by the national Labor Safety and Health Partnership of the Council of Labor Affairs
September 2009	Issued the 2008 Sustainability Report of Innolux Display Innolux Display's Fab T0, T1, and T2 obtained the TS 16949 quality system certification
October 2009	Innolux Display announced a merger with TPO Displays Corp. Honored with the "Energy Conservation Outstanding Innovation Award" by the Bureau of Energy, Ministry of Economic Affairs
November 2009	Innolux Display announced a merger with Chi Mei Optoelectronics Corporation Entered into an NT$48 billion syndicated credit facility with a syndicate of 19 banks including Mega International Commercial Bank Received two Bronze Awards of the National QCC Competition from the Corporate Synergy Development Center of the Industrial Development Bureau, Ministry of Economic Affairs Granted the excellent award in low carbon production and waste reduction by the Industrial Development Bureau, Ministry of Economic Affairs
December 2009	Innolux Display was honored with the "2009 Taiwan CSR Awards-Bronze Award" for its 2008 Sustainability Report by the Taiwan Institute for Sustainable Energy Received the outstanding award in the "2009 Outstanding Energy Saving Companies Selection" from the Science Park Administration Recognized as the Best Managed Company in Taiwan by Asiamoney Granted the excellence award in environmental protection by the Science Park Administration
January 2010	Obtained "Labeling of Energy Saving Action" from the Environmental Protection Administration
February 2010	Granted the excellent award for outstanding achievement on training and management for occupational health by the Council of Labor Affairs, Executive Yuan
March 2010	Completed the merger with Chi Mei Optoelectronics and TPO Displays Innolux Display renamed as Chimei Innolux Granted the outstanding performance award in occupational safety and health on the occasion of the 2009 nationwide Occupational Safety and Health Week, held by the Council of Labor Affairs, Executive Yuan
May 2010	Winner of Taiwan's Environmental Protection Administration's 2009 Enterprise Green Procurement Performance Award Recognized as an outstanding unit in achieving zero work accident hours by the Council of Labor Affairs, Executive Yuan
June 2010	18.5-inch LCD panel is awarded 2009 FPD green quality certification 42-inch 120Hz+ MEMC is awarded the best integrated LCD panel at the Taiwan Gold Panel Awards 2010 with the 13 th Annual Outstanding Optoelectronics Product Awards
September 2010	Awarded the Outstanding Energy Conservation Award by the Department of Energy, Ministry of Economic Affairs
October 2010	Passed DNV third-party independent verification for its 18.5-inch LCD flat panel monitor (M185B1-L02), making CMI the first panel maker to receive a supply chain "water footprint" verification statement, Granted "the Excellent Environmental Protection Award" by the Science Park Administration

November 2010	Granted the 2010 excellence award in recycling and reducing waste production by the Environmental Protection Administration Completed the merger with Chi Mei Energy
December 2010	Granted “the 2010 Outstanding Energy Saving Award” by the Science Park Administration Granted “the Excellent Award in Low-Carbon Management” by the Science Park Administration Granted “the 2010 Outstanding Award in Making Green by Planting Trees” by the Science Park Administration
January 2011	Became the first manufacturer to obtain “water footprint” verification for its product supply-chain with regard to its desktop LCD monitors and LCD TVs
February 2011	Honor Light Services Limited revoked
March 2011	2.65-inch and 5.3-inch Memory-In-Display (Midis) technology, which was a new energy-saving panel technology, obtained the Best Paper Award of the 17th IDW (International Display Workshops), Japan
April 2011	Honored with the 2011 Taiwan Excellence Gold Awards for its ultra-thin 13.3-inch HD notebook display module
May 2011	Kobe site was awarded the Best Safety & Hygiene Company by the Safety Management Committee of Kobe, Japan. Chi Mei Energy Netherlands revoked
June 2011	Won the Outstanding Photonics Product Award 2011 for its 21.5-inch PCT (Projected Capacitive Touch) display module by the Photonics Industry & Technology Development Association (PIDA). Honored with the “2011 Contribution to Job Creation” award by the Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan
August 2011	Ranked third among the “2010 Outstanding Export Growth Companies” by the Bureau of Foreign Trade, Ministry of Economic Affairs
September 2011	Granted the 2010 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan
October 2011	STSP Branch was honored with the “Jin-Jhan Award” by the Council of Labor Affairs, Executive Yuan. Honored with “national Industrial Safety and Health Award” by the Council of Labor Affairs, Executive Yuan
April 2012	Entered into the Joint Debt Restructuring Agreement with the syndicate
June 2012	Won the Outstanding Photonics Product Award 2012 for its 50-inch 3D Direct-Type LED panel by the PIDA.
August 2012	Honored with the “Taiwan Excellence Silver Award” for its 23.6-inch USB super energy-saving LCD screen
September 2012	Recognized as an outstanding unit for hiring disabled persons by surpassing the target Granted the 2011 Enterprise Green Procurement Performance Award by the Environmental Protection Administration, Executive Yuan and the only panel factory granted the award for four consecutive years and fulfilling its responsibility of a sustainable environmental protection enterprise Chi Mei Optoelectronics UK Limited revoked
December 2012	Changed its name to “群創光電股份有限公司” with the English name of “Innolux Corporation”
January 2013	Global depository receipts listed and traded on the Luxembourg Stock Exchange on 23 January Merger of the subsidiaries InnoJoy Investment Corporation and InnoFun Investment Corporation, in which InnoJoy Investment Corporation was the surviving company Eastern Vision Co., Ltd. liquidated
March 2013	Toptch Trading Limited liquidated Dragon Flame Industrial Ltd. liquidated

April 2013	nanhai Plant took the lead in obtaining the first MFCA material flow cost accounting certification in the world The Company’s 65-inch 4K2K TV module was awarded the 21st “Taiwan Excellence Gold Award” The Company’s 4.3-inch active organic light emitting display (TRUEOLED) was awarded the 21st “Taiwan Excellence Silver Award” The Company's 50-inch ultra-high resolution (4K2K) thin narrow frame LCD TV module was awarded the 21st "Taiwan Excellence Award" The Company’s 30-inch six million pixel medical monitor was awarded the 21st "Taiwan Excellence Award" The Company’s 5-inch Full HD LCD panel module was awarded the 21st "Taiwan Excellence Award" The Company’s 3.4-inch active organic light emitting display was awarded the 21st "Taiwan Excellence Award"
June 2013	The Company's 65-inch ultra-high resolution thin narrow frame LCD TV module was recognized by the 16th “Annual Outstanding Optoelectronics Products Awards” Granted the first “national Environmental Education Award – Excellence Award for Private Enterprises Group” by the Environmental Protection Administration Innocom Technology (Jiashan) Co., Ltd. liquidated
September 2013	Ningbo Chi Mei Electronics Ltd. renamed as Ningbo Innolux Optoelectronics Ltd. nanhai Chi Mei Optoelectronics Ltd. renamed as Ningbo Innolux Technology Ltd. Ningbo Chi Hsin Electrics Ltd. renamed as Ningbo Innolux Display Ltd. Ningbo Chi Mei Logistics Corp renamed as Ningbo Innolux Logistics Ltd.
October 2013	The Company’s “Intelligent Automation” team was granted the “Annual Innovative Pilot Award” of the Industry Innovation Award for theone-stop touch innovative operating model by the Ministry of Economic Affairs Foshan Chi Mei Logistics Co., Ltd. renamed as Foshan Innolux Logistics Co., Ltd. TPO Displays (Nanjing) Ltd. renamed as Nanjing Innolux Optoelectronics Ltd.
November 2013	Awarded the 2013 Green Building Gold Mark by the Ministry of Economic Affairs Awarded the “Premium” honor of the 2013 Taiwan CSR Awards Full Lucky Investment Limited liquidated
December 2013	Selected as an outstanding water saving unit for 2013 by the Water Resources Agency of the Ministry of Economic Affairs Dongguan Chi Hsin Electrics Ltd. liquidated TPO Displays (Shanghai) Ltd. renamed as Shanghai Innolux Optoelectronics Ltd. Global Deposit Receipts listed on the London Stock Exchange delisted
January 2014	Plant T1 and Plant B, D, TOC, F (Tainan) awarded Health Promotion Label of Healthy Workplace Certification Ningbo site awarded Safe Standard Level 2 Corporation Chi Mei Optoelecttonics (Singapore) Pte. Ltd. liquidated Sonic Trading Limited liquidated Innocom Technology (Xiamen) Co., Ltd. liquidated Merger of nanhai Chi Mei Electronics Ltd. and nanhai Chi Mei Optoelectronics Ltd., in which nanhai Chi Mei Electronics Ltd. was the surviving company
February 2014	Foshan site awarded as an Advanced Corporation in Promotion of Environmental Protection in Si-shan town Ningbo site awarded as an Advanced Corporation in Safe Production and Workplace in Ningbo City 2013
March 2014	Honored with the Healthy Corporation Award for the 2014 Southern Science Park Ecological and Humanistic Marathon

April 2014	nanhai Chi Mei Electronics Ltd. renamed as Foshan Innolux Optoelectronics Ltd. Honored with the Taiwan Excellence Sliver Award for its 65-inch ultra-high-analytic 3D TV panel Awarded a certificate of recognition for offering disability employment opportunities to realize corporate social responsibilities by the Southern Taiwan Science Park Administration, Ministry of Science and Technology Innolux's 28-inch 4K2K and 23.6-inch touch panel won the "Taiwan Excellence Silver Award"
September 2014	Chi Mei Optoelectronics USA, Inc. renamed as Innolux Optoelectronics USA, Inc. TPO Displays USA Inc. renamed as Innolux Technology USA Inc.
October 2014	TPO Displays Japan K.K. renamed as Innolux Technology Japan Co.,Ltd.
November 2014	Chi Mei Optoelectronics Europe B.V. renamed as Innolux Optoelectronics Europe B.V. TPO Displays (Shinepal) Ltd. renamed as nanjing Innolux Technology Ltd. Chi Mei Optoelectronics Japan Co., Ltd. renamed as Innolux Optoelectronics Japan Co.,Ltd. TPO Displays Hong Kong Ltd renamed as Innolux Hong Kong Ltd.
December 2014	Health Management Award and Nutrition Health Award by the Health Promotion Administration Granted 2014 Taiwan Sustainable Development Awards by national Council for Sustainable Development TPO Displays Hong Kong Holding Ltd. renamed as Innolux Optoelectronics Hong Kong Holding Ltd. TPO Hong Kong Holding Ltd. renamed as Innolux Hong Kong Holding Ltd. TPO Displays Europe B.V. renamed as Innolux Technology Europe B.V.
February 2015	Signed an agreement for a syndicated credit line of NT$68.5B with Bank of Taiwan and 15 other banks Innocon Technology (Chengdu) Co., Ltd. revoked
March 2015	The Company terminated the debt restructuring negotiation and canceled the debt negotiations Honored with the Enterprise Innovation Award of Excellence
April 2015	The Company's 100% high color saturation 4K2K TV module was awarded the 21st "Taiwan Excellence Gold Award" Awarded a certificate of recognition for social responsibilities by the Global Views
July 2015	Innolux as an outstanding import/export company honored The Best Contribution Award of the MOEA's Award for International Trade 2015
August 2015	Foshan Innolux Optoelectronics Ltd was awarded International Carbon-Value Award in China
September 2015	Innolux named to Dow Jones Sustainability World Index
October 2015	Awarded the Outstanding Energy Conservation Award 2015 by the Department of Energy, Ministry of Economic Affairs Completed the merger with Chi Mei EL corporation
November 2015	Inception and registration of Ningbo Innolux Electronics Ltd Innolux marked 100 in disclosure score and listed as CDLI (Carbon Disclosure Leadership Index) 2nd year in a row in CDP. Innolux honored 2015 Taiwan Corporate Sustainability Report Award-Gold Award. Gold union investments Limited liquidated Awarded the MOL TTQS Silver award
June 2016	Ningbo site was awarded an Outstanding Foreign Company Contribution Award by China Zhejiang Investment and Trade Symposium.
July 2016	Awarded Award for International Trade for consecutive 6 years and Target Market Contribution Award, the only multiple winner in 2016 Fab 8 awarded "Best Performance in Water-Saving Unit" by the Water Resources Agency, Ministry of Economic Affairs.
October 2016	Fab3 and T2 plant passed the Green Factory-Clean Production Certification of Industrial Development Bureau, Ministry of Economic Affairs.

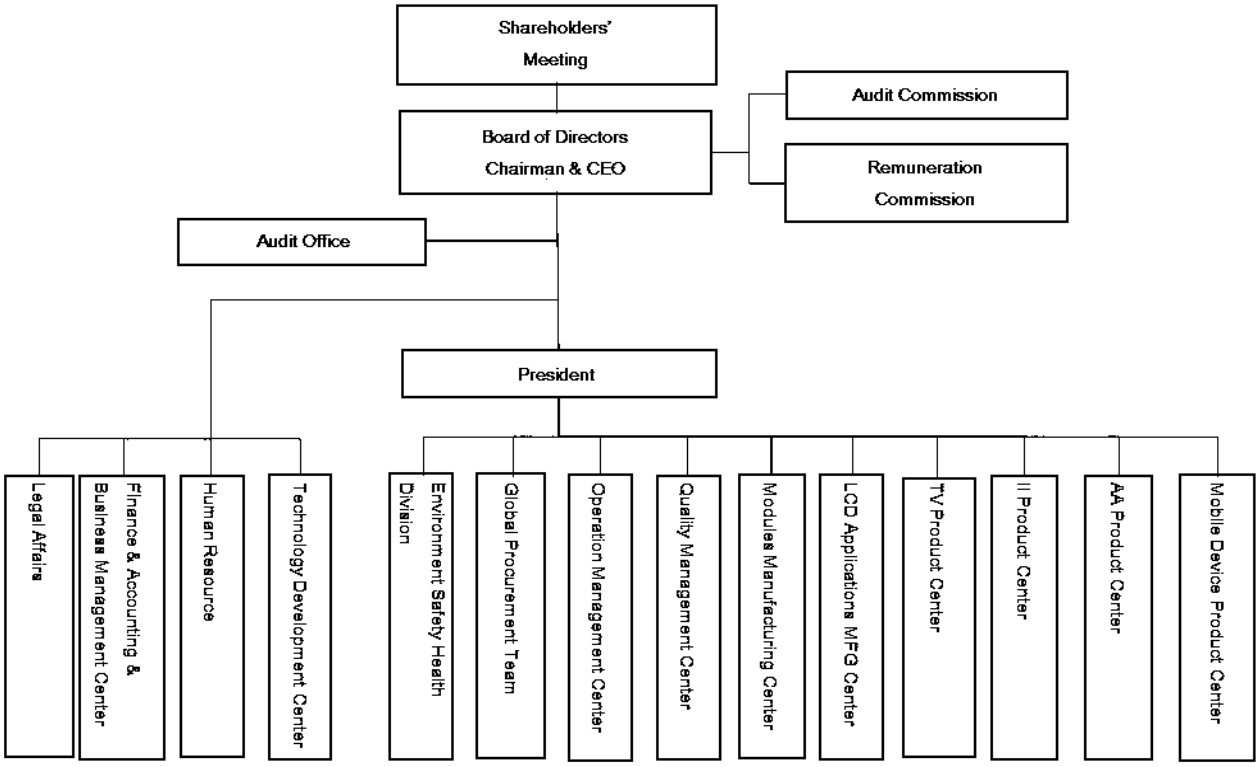
November 2016	Awarded Taiwan Corporate Sustainability Awards-- Corporate Sustainability Report Golden Awards of ICT group. Awarded Taiwan Corporate Sustainability Awards--Sustainable Water Management Awards for its outstanding water management performance
December 2016	Innolux was granted the Innovative Product Awards by Hsinchu Science Park for its automotive display technologies: S Shape Display, 1-axis Curve Display, Curve with Touch Display Merger of the subsidiaries Ningbo Innolux Display Ltd. and Ningbo Innolux Technology Ltd., in which Ningbo Innolux Display Ltd. was the surviving company
February 2017	Honored with Taiwan Excellence Achievement Award and Taiwan Excellence Gold Award Asiaward Investment Limited liquidated Ningbo Innolux Logistics Limited liquidated
March 2017	Main Dynasty Investment Limited liquidated Sun Dynasty Development Limited liquidated
August 2017	Innolux ranks the 19th of the Large Enterprise Group in "2017 Common Wealth Magazine's Coporate Citizenship Award"competition
September 2017	Best China Investments Limited liquidated Magic Sun Limited liquidated Mega Chance Investments Limited liquidated
October 2017	Merger of the subsidiaries nanjing Innolux Optoelectronics Ltd. and Kunpal Optoelectronics Ltd., in which nanjing Innolux Optoelectronics Ltd. was the surviving company
December 2017	Merger of the subsidiaries Innolux Optoelectronics Japan Co., Ltd and Innolux Technology Japan Co., Ltd in which Innolux Optoelectronics Japan Co., Ltd was the surviving company and change the Company name into Innolux Japan Co. Ltd Merger of the subsidiaries Innolux Technology Europe B.V. and Innolux Optoelectronics Eurpoe B.V. in which Innolux Technology Europe B.V. was the surviving company and change the Company name into Innolux Europe B.V.
February 2018	Merger of the subsidiaries Innolux Optoelectronics USA, Inc. and Innolux Technology USA, Inc. and Innolux Corporation, in which Innolux Optoelectronics USA, Inc. was the surviving company and change the Company name into Innolux USA, Inc.
August 2018	Innolux 3D touch phone won Taiwan Outstanding Product Award
September 2018	Innolux named DJSI World and DJSI Emerging Markets Index 2018 Innolux Optoelectronics Germany GmbH liquidated
October 2018	VAP Optoelectromics (nanJing) Corp liquidated
November 2018	Innolux Tainan Fab 3 awarded EEWH-EC Innolux awarded 2018 Taiwan Excellence Gold with DST 3D Touch technology Innolux awarded 2018 Taiwan Corporate Sustainability TOP 50 Awards
January 2019	Golden Achiever International Limited liquidated
July 2019	The Company won the 2019 Best Companies to Work for in Asia 2019 Awards
August 2019	Bright Information Holding Ltd. Liquidated The Company was selected as the 2019 CSR Corporate Citizenship Award of the World Magazine-Top 50 Enterprises in the Large Enterprise Group
September 2019	Innolux named DJSI World and DJSI Emerging Markets Index 2019
November 2019	The Company received the "2019 Sports Enterprise Certification" from the Ministry of Education The Company was awarded the "TOP50 Taiwan Enterprise Sustainability Award", the "Taiwan Enterprise Sustainability Report Gold Award" and the best individual performance "Circular Economy Leadership Award" by the Taiwan Sustainable Energy Research Foundation. The Company won the 2019 `` Taiwan Excellence Award Quality Award " The capital reduction is NT $ 97,110,719,770
December 2019	Innolux Tainan Fab 3 ecological community was selected as the community-type green building that won the Excellent Green Building Award in 2019

January 2020	Issued the first overseas unsecured conversion of corporate bonds of US $ 300 million
May 2020	Ningbo Innolux Flnet Electronics Ltd. liquidated
	Foshan Innolux Flnet Electronics Ltd. liquidated
July 2020	The Company was awarded “2019 GM Supplier of the Year” by General Motors.
September 2020	The Company was awarded “Climate Change Management Excellence Award of 2020 SGS CSR Awards.”
November 2020	Innolux Automations and Intelligence Systems (ShenZhen) Co.,Ltd. liquidated The Company was awarded “national Occupational Safety and Health Award- Enterprise Benchmarking Award,” due to create a high-quality employee workplace; therefore, won a highest honor. The Company was picked as “DJSI World Index” and “DJSI Emerging Markets Index,” and the scope of society of the Company was the top one in panel industry. Also, the Company ranked as benchmark enterprise. The Company won four awards, which are 2020 TCSA “Taiwan Sustainable Enterprise Performance Award,” “Taiwan Enterprise Sustainability Report Silver Award,” “Circular Economy Leadership Award,” and “Sustainable Water Management” The Company was awarded 2nd national environmental protection enterprise-sliver award. The Company was awarded a badge of 2021 Taiwan Excellence Awards, and “65"Infinity screen and thin 8K TV” won the silver award of 29th, 2021 “Taiwan Excellence Awards.”
December 2020	The Company’s “Fingerprint Sensor in Display” was awarded Excellent Manufacturer Innovative Product Award by Hsinchu Science Park.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Auditor's Office	Responsible for assessing the soundness of the internal control system and all the standards, checking whether the internal control system is operating effectively on a continual basis, measuring the operating results of the departments and providing improvement recommendations for efficient operation.
Mobile Device Center	Responsible for the sales, marketing, and product development of LCD wireless communication and audio-visual systems as well as production of panel production.
AAI Product Center	Responsible for vehicle and aerospace product market development and customer service, development and testing of new technologies and new processes, and product manufacturing related matters.
II Product Center	Responsible for information and general product market development and customer service, new technology and new process development and testing, product manufacturing related matters
TV Product Center	Responsible for market development, customer's service and development, test new technologies and new processes of TV products.
Technology Development Center	Develop, improve, verify, and test new technologies and new processes.
LCD Panel Manufacturing Center	Responsible for the production of large-size LCD panel products.
Module Manufacturing Center	Responsible for the production of LCD module products.
Quality Management Center	Responsible for the quality management of the Company, providing the best and the most efficient quality management services (including quality control, product quality guarantee, quality system, and documentary management); and promoting the concept of total quality control.
Business Management Center	Responsible for the industrial engineering and information system of the Company, work-flow efficiency improvement, capacity expansion planning, production efficiency enhancement, hardware and software infrastructure, and information system construction.
Strategic Procurement Center	Responsible for the overall procurement strategy of the Company, strategic planning of important parts and components, material preparation for the introduction of products and standardized cost management.
Human Resources Management Center	Responsible for overall human resources policy, promotion of talent selection, education, deployment and retention, employee communications, general administration and corporate social responsibilities, etc.
Finance & Accounting & Business Management Center	Coordinate the Business Management, capital operating system, profits and losses of cost accounting, business strategy consultation, of the Company, provide financial and accounting information, manage investment plans and risk aversion, and manage overall financial, investment, stock, accounting, and tax matters.
Environmental & Safety Division	Responsible for handling company-wide issues including environmental protection, occupational safety, damage prevention, and risk control of the factories, staff health management and workplace improvement, and greenhouse gas reduction; implementing and managing the environmental safety and health policies of the Company.
Legal Affair	Responsible for drafting and reviewing contracts; providing business-related legal consultation services.

3.2 Directors and Management Team

3.2.1 Directors

April 26, 2021; Shares

Title	nationality/ Place of Incorporation	Name (Note 1)	Gender	Date Elected (Note2)	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	name	Relation
Chairman	TW	Jin-Yang Hung	M	2019/6/20	3	2018/6/21	—	—	1,099,000	0.01	—	—	—	—	MBA, Columbia University, USA Department of Business Administration, Special Assistant to Chairman, Innolux Corporation Associate Vice President, Foxconn Group President, TCC International Holdings Limited Managing Directors, BNP Paribas Asset Management Executive Directors, Goldman Sachs Group, Inc	Note 3	—	—	—
Director	TW	Jyh-Chau Wang	M	2020/6/19	2.5	2013/7/1	89,000	—	589,000	0.01	—	—	—	—	M.S., Materials Engineering, National Tsing-Hua University Vice President, Chi Lin Technology Co., Ltd. Deputy Plant Directors, Unipac Optoelectronics Corp. Associate Research Fellow, Material Research laboratories, Industrial Technology Research Institute	Chairman, Innolux Corporation Foundation	—	—	—
Institutional Director	TW	Hyield Venture Capital Co., Ltd	—	2019/6/20	3	2002/11/21	176,311,219	1.82	176,311,219	1.68	—	—	—	—	—	—	—	—	—
	TW	Representative: Chu-Hsiang Yang	M			2019/06201	N.A.	—	1,853,585	0.02	7,953	—	—	—	M.S., Chemical Engineering, National Central University Vice President, Innolux Corporation Director, Chi Mei Optoelectronics Corporation Deputy Section Manager, Chunghwa Picture Tubes, Ltd.	Note 4	—	—	—

Title	nationality/ Place of Incorporation	Name (Note 1)	Gender	Date Elected (Note2)	Term (Y)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	name	Relation
Institutional Director	TW	Hyield Venture Capital Co., Ltd	—	2019/6/20	3	2002/11/21	176,311,219	1.82	176,311,219	1.68	—	—	—	—	—	—	—	—	—
	TW	Representative: Chin-Lung Ting	M			2016/6/24	N.A.	—	1,342,063	0.01	—	—	—	—	M.S., Graduate Institute of Electronics Engineering, National Taiwan University Executive V P, Innolux Corp Manager, Unipac Optoelectronics Corp.	Note 5	—	—	—
Independent Director	TW	Chi-Chia Hsieh	M	2019/6/20	3	2013/6/19	—	—	—	—	—	—	—	—	Ph. D of Mechanical Engineering, Santa Clara University, USA Chairman, Microelectronics Technology Inc.	Note 6	—	—	—
Independent Director	TW	Zhen-Wei Wang	M	2019/6/20	3	2011/6/9	—	—	—	—	—	—	—	—	Department of Electronic Engineering, National Chiao Tung University NCCU CEO, Quanta Computer Inc. General Manager, Quanta Computer Inc.	Note 7	—	—	—
Independent Director	HK	Stanley Yuk Lun Yim	M	2019/6/20	3	2013/6/19	—	—	—	—	—	—	—	—	Honorary Doctor of Business Administration A founder and Executive Directors of S.A.S. Dragon Holding Limited	Note 8	—	—	—

Note 1：Existing Directors as of the date of the annual report.

Note 2：The terms of Board members (including Independent Directors) reelected on 2019/06/20and effective on 2019/07/01.

Note 3：CEO of Innolux Corporation

Concurrently as Chairman of the Board：InnoJoy Investment Corporation (Statutory representative), Yuan Chi Investment Co., Ltd. (Statutory representative)

Concurrently as Directors：CarUX Holding Limited, CarUX Technology Pte. Ltd, Innolux Holding Ltd., Innolux Hong Kong Holding Limited, Innolux Hong Kong Limited, Innolux Optoelectronics Hong Kong Holding Ltd., Keyway Investment Management Ltd., Lakers Trading Ltd., Landmark International Ltd., Leadtek Global Group Ltd., Rockets Holding Ltd., Stanford Developments Ltd., Suns Holding Ltd., Toppoly Optoelectronics (B.V.I.) Ltd., Toppoly Optoelectronics (Cayman) Ltd., Warriors Technology Investments Ltd., FI Medical Device Manufacturing Co. (Statutory representative), CarUX Technology Inc. (Statutory representative)

Note 4：COO of Innolux Corporation

Concurrently as Chairman of the Board：InnoCare Optoelectronics Corporation (Statutory representative)

Concurrently as Directors：CarUX Holding Limited, Innolux Japan Co., Ltd, Innolux Singapore Holding Pte. Ltd., Yuan Chi investment co., Ltd (Statutory representative), Chi Lin Optoelectronics CO., LTD. (Statutory representative), InnoJoy Investment Corporation (Statutory representative), FI Medical Device Manufacturing Co. (Statutory representative), CarUX Technology Inc. (Statutory representative), Ningbo CarUX Technology Co. Ltd

Note 5：Executive VP of Innolux Corporation
Concurrently as Chairman of the Board：GIO Optoelectronics Corp., Shenzhen PixinLED Technology Co., Ltd., CarUX Technology Inc. (Statutory representative), Ningbo CarUX Technology Co. Ltd, PanelSemi Corporation
Concurrently as Directors：CarUX Holding Limited, CarUX Technology Pte. Ltd, Double Star Inc., Innolux Japan Co., Ltd, Innolux Optoelectronics Philippines Corp.

Note 6：Concurrently as Chairman of the Board：IQE Taiwan Corporation, Jupiter Network Corp. (Statutory representative), Welltop Technology Co. Ltd (Statutory representative), Taicom Capital Limited (Statutory representative)
Concurrently as Independent Directors：AcBel Polytech Inc.
Concurrently as Directors：Microelectronics Technology Inc.Advanced Wireless Semiconductor Company, Bright Led Electronics Corp., Sasson Capital (Statutory representative), Kopin Corporation Inc., T'Cement (Statutory representative), Bright Crystal Company Limited, TCM Limited, Jiang Yang Technology (Wuxi) Co., Ltd. (Statutory representative), KoBrite Corp.

Note 7：Concurrently as Independent Directors: Simplo Tchnology Co., Ltd., Phison Electronics Corp.
Concurrently as Directors representative
Concurrently as Directors: ITIC Co., Ltd (Statutory representative), Give-Circle Co., Ltd. (Statutory representative), B Current Impact Investment, Janus Technologies, Inc., Exyte AG

Note 8：The Justice of the Peace Bronze Bauhinia Star, President of the Hong Kong Justices of Peace Association, Member of Shanghai Municipal Committee of CPPCC,Vice President of Shanghai-Hong Kong Economic Development Association, Honorary President of the Hong Kong Committee of Friends of the Yunfu CPPCC, Vice President of Hong Kong Electronics Industry Honor Society, Honorary President of Hong Kong Trade Services Association, Honorary Chairman of Hong Kong Baptist University Foundation, Renji Hospital Advisory Board Forever Consultant Vice Chairman of the Tsuen Wan District Juvenile Police Honorary Chairman's Association, Chairman of the Tsuen Wan District Civic Education Committee

Note9：Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of Independent Directors seats and more than half of all Directors not concurrently serving as employees or executive officers)：

The Company's CEO position is responsible for the sustainable development and long-term business strategy of the Company, while the President and COO position is responsible for the planning and management of the Company's daily operation. The responsibilities of the Chairman and CEO position and the President and COO position are clearly defined for an integrated effect. The Chairman of the Company closely communicates with the Directors about the Company's operation and planning in order to implement the Company's corporate governance. In the future, the Company plans to increase the number of Independent Directors to enhance the functions of the Board of Directors and strengthen the supervision function. In addition, the Independent Directors of the Company faithfully perform their duties from a detachment perspective and implement corporate governance, in order to strengthen the independence of the Board.

Major shareholders of the institutional shareholders

April 26, 2021

Name of institutional shareholders	Major shareholders
Hyield Venture Capital Co., Ltd.	Hon Hai Precision Components Co., Ltd. (97.95%), Pao Shin International Investment Co., Ltd. (2.05%)

Major shareholders of the Company's major institutional shareholders

April 26, 2021

Name of institutional shareholders	Major shareholders
Hon Hai Precision Ind. Co., Ltd. (Note)	Terry Tai-Ming Guo (9.68%), CTBC Terry Tai-Ming Guo Trust Account (2.89%), Citi Managed Government of Singapore Investment Accounts (1.90%), Citigroup hosting Hon Hai Precision Ind. Co. Ltd. Depositary Receipts Account (1.40%), Citi Bank hosted Norges Bank Investment Account (1.21%), New Labor Pension Fund (1.18%), Standard Chartered hosting Vatican Gardner Emerging Market Equity Index Fund Account (1.18%), JPMorgan Managed Advanced Stars advanced aggregate International Equity Index (1.08%), Standard Chartered Hosting Fidelity Light Called Trust: Fidelity Low of shares of the Fund (1.03%) Fubon Life Insurance Co., Ltd. (0.92%),
Pao Shin International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd. (100%)

Note: The information is derived from the close of registrar information of the Company dated 25 April 2021.

Professional qualifications and independence analysis of Directors

Criteria / name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Directors
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a national Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Jin-Yang Hung	—	—	V	—	—	V	V	V	V	V	V	V	V	V	V	—
Jyh-Chau Wang	—	—	V	—	—	V	V	V	V	V	V	V	V	V	V	—
Hyield Venture Capital Co., Ltd Chu-Hsiang Yang	—	—	V	—	—	V	V	V	V	V	V	V	V	V	—	—
Hyield Venture Capital Co., Ltd Chin-Lung Ting	—	—	V	—	—	V	V	V	V	V	V	V	V	V	—	—
Chi-Chia Hsieh	—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Zhen-Wei Wang	—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	2
Stanley Yuk Lun Yim	—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	—

Note: If the Directors meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes.

1. Not an employee of the Company or any of its affiliates.
2. Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's Directors or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Directors seats or shares with voting rights (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Not a Directors, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, Directors, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

10. Not having a marital relationship, or a relative within the second degree of kinship to any other Directors of the Company;
11. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
12. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 Management Team

April 26, 2021

Title	nationality	name Note 1	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	name	Relation
Chairman &CEO	TW	Jin-Yang Hung	M	2018/6/21	1,099,000	0.01	—	—	—	—	MBA, Columbia University, USA Department of Business Administration, Special Assistant to Chairman, Innolux Corporation Associate Vice President, Foxconn Group President, TCC International Holdings Limited Managing Directors, BNP Paribas Asset Management Executive Directors, Goldman Sachs Group, Inc	Note 2	—	—	—
President &COO	TW	Chu-Hsiang Yang	M	2010/3/18 (Note3)	1,853,585	0.02	7,953	—	—	—	M.S., Chemical Engineering, national Central University Vice President, Innolux Corporation Director, Chi Mei Optoelectronics Corporation Deputy Section Manager, Chunghwa Picture Tubes, Ltd.	Note 3	—	—	—
Executive Vice President	TW	Chin-Lung Ting	M	2020/2/19	1,342,063	0.01	—	—	—	—	M.S., Graduate Institute of Electronics Engineering, National Taiwan University Executive V P, Innolux Corp Manager, Unipac Optoelectronics Corp.	Note 4			
Vice President	TW	Jun-Yi Yu	M	2015/12/25	451,537	—	—	—	—	—	Master of Industrial Engineering, Texas Tech University Production Manager of AU Optronics Corp.	Note 5	—	—	—
Vice President	TW	Yao-Tong Chen	M	2010/3/18	1,874,644	0.02	16,422	—	—	—	Master of EMBA, Sun Yat-Sen University Manager, Hitachi Electronics Co., Ltd.	—	—	—	—
Vice President	TW	Hung-Wen Yang	M	2007/6/1	721,769	0.01	—	—	—	—	M.S., Chemical Engineering, national Cheng Kung University Plant Directors, Sintek Photronic Corp Deputy Plant Directors, AU Optronics Corp. Manager, Unipac Optoelectronics Corp.	—	—	—	—
Vice President	TW	Chih-Ming Chen	M	2010/3/18	244,193	—	863	—	—	—	Graduated from Metallurgy and Materials Science Research Institute of national Cheng Kung University Engineer, Shyen Sheng Fuat Steel & Iron Works Co., Ltd Senior Engineer, Unipac Optoelectronics Corp.	—	—	—	—
Vice President	TW	Yu Shui Kuo	M	2014/12/1	525,000	0.01	—	—	—	—	Master of Mechanical Engineering, Yuan Ze University	—	—	—	—

Title	nationality	name Note 1	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	name	Relation
											Associate President of Entire Technology Co. Ltd. Manager of AU Optronics Corp. Associate Manager of Prodisc Coordinator of Ritek Corporation				
Assistant Vice President	TW	Ke-Yi Kao	M	2010/3/18	842,488	0.01	—	—	—	—	M.S., Chemical Engineering, University of Florida (U.S.A.) Assistant Manager, Unipac Optoelectronics Corp.	—	—	—	—
Assistant Vice President	TW	Tai-Chi Pan	M	2010/3/18	1,226,880	0.01	58,680	—	—	—	Graduated in Electrical Engineering of national Cheng Kung University Assistant Manager, Unipac Optoelectronics Corp.	Directors of InnoCare Optoelectronics Corporation (Statutory representative)	—	—	—
Assistant Vice President	TW	Kuo-Hsiung Kuo	M	2010/3/18	1,038,100	0.01	295,540	—	—	—	B.S., Mechanical Engineering, Waseda University, Japan	Note 6	—	—	—
Assistant Vice President	TW	Chung-Kuang Wei	M	2010/3/18	162,395	—	—	—	—	—	Ph. D, Institute of Photonics, national CT University Electronics Research Laboratories, Industrial Technology Research Institute	—	—	—	—
Assistant Vice President	TW	Tien-Jen Lin	M	2013/9/23	1,356,554	0.01	—	—	—	—	Master of Electrical Engineering, national Taiwan University Advisor to General Manager's Office, Unity Opto Technology Co., Ltd. Directors of Head Office of Product Development, Chi Mei Lighting Technology Corporation	Note 7	—	—	—
Assistant Vice President	TW	Qing-Hui Lin	M	2015/12/25	348,039	—	—	—	—	—	Master of institute of science engineering, national Central University R&D Directors, Chunghwa Picture Tubes, Ltd.	Note 8	—	—	—
Assistant Vice President	TW	Jing-Wun Huang	F	2019/7/3	265,600	—	—	—	—	—	Bachelor of Taipei Institute of Business Technology Assistant Manager of Unipac Optoelectronics Corp. Assistant Manager of Materials, AUO ptronics Corp.	—	—	—	—
Assistant Vice President	TW	Jhih-Syuan Wang	M	2020/12/1	76,150	—	1,536	—	—	—	Master of Science, School of Computer Science, The University of Birmingham. Manager of LCD Sales Department, Sharp Opto-electronics Corporation	—	—	—	—
Finance Supervisor	TW	Jhih-Siou Liou	F	2020/8/5	43,660	—	—	—	—	—	Master of Finance, national Chiao Tung University Finance Officer, Ichia Technologies, Inc.	—	—	—	—
Account	TW	Kun Ma	M	2020/4/21	170,292	—	—	—	—	—	Financial Management of Chung Hua University	Note 9	—	—	—

Title	nationality	name Note 1	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	name	Relation
Supervisor											Bachelor Financial manager of TPO Displays Corp. Financial manager of Fupo Electronics Corporation				

Note 1：Existing Managers as of the printed date of the annual report.

Note 2：Please refer to Note 3 on page 15 of this annual report

Note 3：Please refer to Note 4 on page 15 of this annual report

Note 4：Please refer to Note 5 on page 16 of this annual report

Note 5：Concurrently as Directors：Innolux Europe B.V., Innolux Hong Kong Holding Limited, Innolux Optoelectronics Hong Kong Holding Ltd., Shanghai Innolux Optoelectronics Ltd., Foshan Innolux Optoelectronics Ltd, Nanjing Innolux Optoelectronics Ltd., Innocom Technology (Shenzhen) Co., Ltd., Ningbo Innolux Optoelectronics Ltd., Ningbo CarUX Technology Co. Ltd

Note 6：Concurrently as Chairman of the Board：Ningbo Innolux Optoelectronics Ltd., Ningbo Innolux Display Ltd.
Concurrently as Directors：Chi Mei Frozen Food Co., Ltd.

Note 7：Concurrently as Directors：Innolux Europe B.V., Innolux Technology Germany GmbH

Note 8：Concurrently as Chairman of the Board：Foshan Innolux Optoelectronics Ltd., Foshan Innolux Logistics Co.

Note 9：Concurrently as Supervisor: Nanjing Innolux Optoelectronics Ltd., Nanjing Innolux Optoelectronics Ltd., Ningbo CarUX Technology Co. Ltd

Note 10：Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of Independent Directors seats and more than half of all Directors not concurrently serving as employees or executive officers)：Please refer to Note 9 on page 16 of this annual report

3.3 Remuneration of Directors, President, and Vice President

3.3.1 Remuneration to Directors and Independent Directors

Unit: NT$; Shares: thousands

Title	name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note8)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note8)		Compensation Paid to Directors from an Invested Company Other than the Company' s Subsidiary
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F) (Note 6)		Employees Compensation (G) (Note 7)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
																Cash	Stock	Cash	Stock			
Chairman	Jin-Yang Hung	5,880	5,880	—	—	1,290	1,290	280	280	0.46	0.46	83,086	83,086	288	288	1,845	—	1,845	—	5.66	5.66	—
Director	Jyh-Chau Wang (Note 9)																					
Institutional Director	Hyield Venture Capital Co., Ltd																					
Institutional Director Statutory representative	Chu-Hsiang Yang																					
	Chin-Lung Ting																					
Independent Director	Chi-Chia Hsieh	2,700	2,700	—	—	854	854	220	220	0.23	0.23	—	—	—	—	—	—	—	—	0.23	0.23	—
Independent Director	Stanley Yuk Lun Yim																					
Independent Director	Zhen-Wei Wang																					

1. Please describe the policy, system, standard, and structure of remuneration to Independent Directors, and the correlation between duties, risk, and time input with the amount of remuneration: For the remuneration of Independent Directors, besides referring to results of Directors performance evaluations, the Remuneration Committee considers each Director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with the Company's Articles of Incorporation.
2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Note 1: Existing Directors as of the date 2020.
Note 2: Refers to Directors' remuneration paid in 2020.
Note 3: The proposal of 2020 profit distribution has resolved by the Board of Directors.
Note 4: Refers to the relevant service execution fees of Directors in 2020.
Note 5: Refers to the salaries, bonuses and special disbursement, etc. received as employees by Directors in 2020.
Note 6: Refers to the amounts transferred to government authorities in 2020.
Note 7: Proposed number; the amount of individual employee compensation has not been approved by the Board of Directors.

Note 8: Ratio of total net income (Alone).
Note 9: Directors, Jyh-Chau Wang, was re-elected at shareholders' meeting in June 19, 2020.

Range of Remuneration table

Range of Remuneration	name of Directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT$ 1,000,000	Chu-Hsiang Yang, Chin-Lung Ting, Jyh-Chau Wang	Chu-Hsiang Yang, Chin-Lung Ting, Jyh-Chau Wang		
NT$1,000,000(inclusive) ~ NT$2,000,000(exclusive)	Chi-Chia Hsieh, Stanley Yuk Lun Yim, Zhen-Wei Wang	Chi-Chia Hsieh, Stanley Yuk Lun Yim, Zhen-Wei Wang	Chi-Chia Hsieh, Stanley Yuk Lun Yim, Zhen-Wei Wang	Chi-Chia Hsieh, Stanley Yuk Lun Yim, Zhen-Wei Wang
NT$2,000,000(inclusive) ~ NT$3,500,000(exclusive)	Hyield Venture Capital Co., Ltd	Hyield Venture Capital Co., Ltd	Hyield Venture Capital Co., Ltd	Hyield Venture Capital Co., Ltd
NT$3,500,000(inclusive) ~ NT$5,000,000(exclusive)	Jin-Yang Hung	Jin-Yang Hung		
NT$5,000,000(inclusive) ~ NT$10,000,000(exclusive)				
NT$10,000,000(inclusive) ~ NT$15,000,000(exclusive)				
NT$15,000,000(inclusive) ~ NT$30,000,000(exclusive)			Jin-Yang Hung, Chu-Hsiang Yang, Chin-Lung Ting, Jyh-Chau Wang	Jin-Yang Hung, Chu-Hsiang Yang, Chin-Lung Ting, Jyh-Chau Wang
NT$30,000,000(inclusive) ~ NT$50,000,000(exclusive)				
NT$50,000,000(inclusive) ~ NT$100,000,000(exclusive)				
NT$100,000,000 and above				
Total	8	8	8	8

3.3.2 Remuneration of the President and Vice Presidents

Unit: NT$ thousands

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C) (Note 4)		Employee Compensation (D)(Note 5)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)(Note 6)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
								The Company		All companies in the financial report				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash	Stock	Cash	Stock	The Company	All companies in the financial report	
Chairman &CEO	Jin-Yang Hung	26,500	26,500	747	747	85,699	85,699	3,135	—	3,135	—	7.09	7.09	—
President &COO	Chu-Hsiang Yang													
Excutive Vice President	Chin-Lung Ting (Note7)													
Vice President	Yao-Tong Chen													
	Hung-Wen Yang													
	Chih-Ming Chen													
	Jun-Yi Yu (Note8)													
	Yu Shui Kuo (Note8)													

Note 1: Existing Management as of the date of 2020.
Note 2: Refers to remuneration paid in 2020.
Note 3: Refers to amounts transferred to government authorities in 2020.
Note 4: Refers to the bonuses, special disbursement.
Note 5: Proposed number; the amount of individual employee compensation has not been approved by the Board of Directors.
Note 6: Ratio of total net income (Alone).
Note 7: Appointment on 2020/2/19
Note 8: Promotion on 2020/6/8

Range of Remuneration table

Range of Remuneration	name of President and Vice President	
	The Company	All companies in the financial report
Less than NT$ 1,000,000		
NT$1,000,000(inclusive) ~ NT$2,000,000(exclusive)		
NT$2,000,000(inclusive) ~ NT$3,500,000(exclusive)		
NT$3,500,000(inclusive) ~ NT$5,000,000(exclusive)		
NT$5,000,000(inclusive) ~ NT$10,000,000(exclusive)	Jun-Yi Yu, Yu Shui Kuo, Yao-Tong Chen	Jun-Yi Yu, Yu Shui Kuo, Yao-Tong Chen
NT$10,000,000(inclusive) ~ NT$15,000,000(exclusive)	Hung-Wen Yang, Chih-Ming Chen	Hung-Wen Yang, Chih-Ming Chen
NT$15,000,000(inclusive) ~ NT$30,000,000(exclusive)	Jin-Yang Hung, Chu-Hsiang Yang, Chin-Lung Ting	Jin-Yang Hung, Chu-Hsiang Yang, Chin-Lung Ting
NT$30,000,000(inclusive) ~ NT$50,000,000(exclusive)		
NT$50,000,000(inclusive) ~ NT$100,000,000(exclusive)		
NT$100,000,000and above		
Total	8	8

3.3.3 Names of managerial officers who received employees' bonuses in the preceding year and the distribution

Unit: NT$ thousands as of April 30, 2021

	Title	Name (Note 1)	Employee compensation in stock	Employee compensation in cash (Note 2)	Total	Ratio of total amount to net income (%) (Note 3)
Executive officers	Chairman & CEO	Jin-Yang Hung	—	5,294	5,294	0.32%
	President & COO	Chu-Hsiang Yang				
	Executive Vice President	Chin-Lung Ting (Note 4)				
	Vice President	Yao-Tong Chen				
	Vice President	Hung-Wen Yang				
	Vice President	Chih-Ming Chen				
	Vice President	Jun-Yi Yu (Note 5)				
	Vice President	Yu Shui Kuo (Note 6)				
	Assistant Vice President	Ke-Yi Kao				
	Assistant Vice President	Tai-Chi Pan				
	Assistant Vice President	Kuo-Hsiung Kuo				
	Assistant Vice President	Chung-Kuang Wei				
	Assistant Vice President	Tien-Jen Lin				
	Assistant Vice President	Qing-Hui Lin				
	Assistant Vice President	Jing-Wun Huang				
	Assistant Vice President	Jhih-Syuan Wang (Note 7)				
	Assistant Vice President	Jia-Pang Pang (Note 8)				
	Assistant Vice President	Zheng-Xia Kuo (Note 8)				
	Assistant Vice President	Keng-Jung Hsu (Note 9)				
	Finance Supervisor	Jhih-Siou Liou (Note 10)				
	Account Supervisor	Kun Ma (Note 11)				

	Finance Supervisor	Chien-Lang Lo (Note12)				
	Account Supervisor	Chin-Yuan Chang (Note13)				

Note 1: Existing Management as of the date of 2020.
Note 2: Proposed number; the amount of individual employee compensation has not been approved by the Board of Directors.
Note 3: Ratio of total net income (Alone).
Note 4: Appointment on 2020/2/19
Note 5: Promotion on 2020/6/8. Concurrently as company secretary on 2020/8/5.
Note 6: Promotion on 2020/6/8.
Note 7: Promotion on 2020/12/1.
Note 8: Dismissal on 2020/8/1.
Note 9: Dismissal on 2020/2/1.
Note 10: Promotion on 2020/8/5.
Note 11: Promotion on 2020/4/21.
Note 12: Concurrently as company secretary, and dismissal on 2020/8/5.
Note 13: Dismissal on 2020/4/21.

3.3.4 Comparison of Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents, and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to Directors, presidents, and vice presidents of the Company to the net income.

Year / Item	Ratio of total remuneration paid to net income			
	2019		2020 (Note)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	(0.30)	(0.30)	5.89	5.89
Presidents & Vice Presidents	(0.30)	(0.30)	7.09	7.09

Note: The compensation to Directors has approved by the Board of Directors; the compensation to president and vice presidents is proposed amount.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

Policies, Standards and Combination of Remuneration of the Company

According to the Company's remuneration policy, the remuneration of Directors, the President and the Vice President shall be determined by the Remuneration Committee after considering the Company's operation performance, personal performance and responsibilities, and incorporating into the contributions and performance of sustainable corporate governance indicators of three aspects, economic, environmental, and social, as well as the relationship and rationality between the industry development trend and future operation risks, and by referring to the level of external remuneration market and similar positions in the industry; the Board of Directors shall comprehensively consider the amount of remuneration, payment method, etc. for a resolution.

The Company's Remuneration Scale and Its Relevance to Business Performance and Future Risks.

In accordance with Article 21 of the Company's Articles of Association, not less than 5% of the pre-tax profit of the current year before deducting the remuneration of employees and Directors may be distributed as the employees' remuneration, and not more than 0.001% of the amount may be distributed as the Directors' remuneration.

The Company allocates Directors' and employees' remuneration based on the actual annual profit and the ratio specified in the Articles of Association. The Remuneration Committee shall make a proposal after considering the industrial environment, the Company's operating conditions, as well as the Directors', the President's and the Vice President 's responsibilities, contribution and goal achievement, and then submit it to the Board of Directors for resolution, and distribute the remuneration after reporting to the shareholders' meeting.

The reasonableness of the remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system shall be reviewed from time to time according to the actual business situation and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operation and risk control.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 4 meetings of the Board of Directors were held in the previous (2020) period. Directors' attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Jin-Yang Hung	4	—	100.00%	
Director	Jyh-Chau Wang	2	—	100.00%	Appointment on 2020/6/19
Director	Hyield Venture Capital Co., Ltd Chu-Hsiang Yang	4	—	100.00%	
Director	Hyield Venture Capital Co., Ltd Chin-Lung Ting	4	—	100.00%	
Independent Director	Chi-Chia Hsieh	3	1	75.00%	
Independent Director	Zhen-Wei Wang	4	—	100.00%	
Independent Director	Stanley Yuk Lun Yim	4	—	100.00%	

Note：The actual attendance (%) was calculated based on the number of Board meetings and the actual number of attendances during his tenure.

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:

   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

   Total 4 meetings of the Board were held in the period from 2020 to the date of the annual report printed, all the resolutions please refer the Page 67 and there are no opposition opinions remained of the meeting.

   (2)Other matters involving objections or expressed reservations by Independent Directors that were recorded or stated in writing that require a resolution by the Board of Directors.：None.

2. If there are Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Directors' Name	Contents of Motions	Causes for Avoidance	Voting
8-7 2020/02/13	Chi-Chia Hsieh Zhen-Wei Wang Stanley Yuk Lun Yim	Report to the Company's 2019 functional committee member compensation	As the interested persons in this case, according to the law to avoidance	Did not for the discussion

Date	Directors' Name	Contents of Motions	Causes for Avoidance	Voting
	Jin-Yang Hung Chu-Hsiang Yang	The Compensation Committee is proposing the manager bonus for the 2019	Acting concurrently as the Company's manager, avoiding interests in accordance with the law	Did not for the discussion
8-11 2021/2/4	All Directors attended	Report to Directors (including Independent Directors) compensation	As the interest persons in this case, the Directors evaded their interests in accordance with the law in respect of the Directors' individual remuneration.	Did not for the discussion
	Jin-Yang Hung Jyh-Chau Wang Chu-Hsiang Yang Chin-Lung Ting	Report to mangers compensation	Acting concurrently as the Company's manager, avoiding interests in accordance with the law	Did not for the discussion

3. Implementation of self-evaluations by the Company's Board of Directors:
   (1) Evaluation cycle: Once a year
   (2) Evaluation period: Performance evaluation for January 1, 2020 to December 31, 2020
   (3) Scope of evaluation: scope covers the evaluation of the Board as a whole, individual Directors and functional committees.
   (4) Evaluation method: the internal evaluation of the Board and self-evaluation by individual Board members
   (5) Evaluation items:
      A. The evaluation of the Board as a whole: which should cover, Participation in the operation of the Company; improvement of the quality of the Board of Directors' decision making; composition and structure of the Board of Directors; election and continuing education of the Directors; and internal control.
      B. Individual Directors: which should cover alignment of the goals and missions of the Company; awareness of the duties of a Director; participation in the operation of the Company; management of internal relationship and communication; the Directors' professionalism and continuing education; and internal control.
      C. Functional committees: which should cover participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control.
4. Measures taken to strengthen the functionality of the Board:
   (1) The Board of Directors shall direct the Company's strategy, supervise the management team, be responsible to the Company and shareholders' meeting, and make arrangements for the various operations and arrangements of the Company's governance system to ensure that it exercises its authorities in accordance with laws and regulations, the Company's Articles of Association or the resolutions of the shareholders' meeting.
   (2) The Company has set up an Audit Committee on July, 2016 to exercise the authorities required by the Securities and Exchange Act, the Company Act and other laws and regulations to assist the Board of Directors in supervising the Company's quality and integrity in the implementation of relevant accounting, auditing, financial reporting procedures and financial control. Please see page 32-34 for the detail of the Audit Committee's operation.
   (3) The Company has set up Compensation Committee on August, 2011 and set up standard for the Directors and managers. The Compensation Committee is also in charge of making regular review of performance of the Directors and managers, and the related remuneration policy, system, standard, and structure. Please see page 46-48 for the detail of the Compensation Committee's operation
   (4) The Company has re-elected its Board of Directors on 20 June, 2019. The new Board is made of 7 Board members, including 3 Independent Directors' for strengthening the Board function and Corporate Governance.
   (5) The Board members continuing education extending beyond the scope of the professional expertise of the Directors, and to select courses encompassing corporate governance related topics such as finance, risk management, business, commerce, legal affairs, accounting, and corporate social responsibility, or courses relating to internal control systems or liability for financial reports. Please see page 60-61 for the detail of the status of Directors ' participation in corporate governance related courses and trainings.
5. Attendance of Independent Directors at Board Meetings

Board Meeting	Independent Directors Chi-Chia Hsieh	Independent Director Stanley Yuk Lun Yim	Independent Director Zhen-Wei Wang
8-7 2020/2/13	Attend in person	Attend in person	Attend in person
8-8 2020/5/5	Proxy	Attend in person	Attend in person

Board Meeting	Independent Directors Chi-Chia Hsieh	Independent Director Stanley Yuk Lun Yim	Independent Director Zhen-Wei Wang
8-9 2020/8/4	Attend in person	Attend in person	Attend in person
8-10 2020/10/29	Attend in person	Attend in person	Attend in person

3.4.2 Audit Committee

A total of 4 Audit Committee meeting were held in the previous (2020) period. The attendance of the Independent Directors was as follows:

Title	name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Independent Director	Chi-Chia Hsieh	3	1	75.00%	
Independent Director	Zhen-Wei Wang	4	—	100.00%	
Independent Director	Stanley Yuk Lun Yim	4	—	100.00%	

Note：The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his tenure.

Other mentionable items:

1.The annual work focus and authority of the audit committee

(1) The main function of the Audit Committee is to supervise the following matters:

A. Fair presentation of the financial reports of this Corporation.

B. The hiring (and dismissal), independence, and performance of certificated public accountants of this Corporation.

C. The effective implementation of the internal control system of this Corporation.

D. Compliance with relevant laws and regulations by this Corporation.

E. Management of the existing or potential risks of this Corporation.

(2) The powers of the audit Committee are as follows:

A. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

B. Assessment of the effectiveness of the internal control system.

C. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.

D. Matters in which a Director is an interested party.

E. Asset transactions or derivatives trading of a material nature.

F. Loans of funds, endorsements, or provision of guarantees of a material nature.

G. The offering, issuance, or private placement of equity-type securities.

H. The hiring or dismissal of a certified public accountant, or their compensation.

I. The appointment or discharge of a financial, accounting, or internal audit officer.

J. Annual and semi-annual financial reports.

K. Other material matters as may be required by this Corporation or by the competent authority.

2.If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board Meeting	Agenda items	Resolution	Company's handling of the members' opinions
8-7 2020/2/13	1. The Company’s independent financial statements and consolidated financial statements. 2. Passed the Accountant assessment of the independence and appropriateness. 3. Proposal of disposal of machinery equipment for operation. 4. Declaration of the Company’s internal control system 2019.	Approved by all Committee members	Approved by all Directors
8-8 2020/5/5	1. The proposal of change account supervisor. 2. Prepare and compile Innolux’s Business Report for 2019. 3. Prepare the proposal of profit and loss distribution. 4. Amendment to the Audit Committee Charter. 5. Amendment to the Policies and Procedures for Financial Derivatives Transactions.	Approved by all Committee members	Approved by all Directors
8-9 2020/8/4	1. Proposal of disposal of machinery equipment for operation. 2. Amendment to the procedure of internal control system and internal audit process. 3. The proposal of change finance supervisor.	Approved by all Committee members	Approved by all Directors
8-10 2020/10/29	1. Passed the Audit Plan of 2021.	Approved by all Committee members	Approved by all Directors

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors：None.

3. If there are Independent Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motion, causes for avoidance and voting should be specified: None

4. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) Communication between Independent Directors and internal auditors: The head of Internal Audit send the audit and follow-up reports monthly and presents the findings of all audit reports in the quarterly meetings of the Audit Committee. If material unusual matters occur during the auditing process, the head of Internal Audit will report to the members of the Audit Committee immediately.

(2) The major matters of the communications between Independent Directors and internal auditors

Date	Descriptions of the major matters	Resolution
2020/1/17	Audit Report Findings December 2019 review by Independent Directors.	No objection
2020/2/13 Audit Committee	1. The findings of the internal audit reports for the fourth quarter of 2019. 2. Statement of Internal Control System for 2019.	1. No objection 2. After the review and approval, report to the Board of Directors
2020/2/21	Audit Report Findings January 2020 review by Independent Directors.	No objection
2020/3/25	Audit Report Findings February 2020 review by Independent Directors.	No objection

Date	Descriptions of the major matters	Resolution
2020/4/24	Audit Report Findings March 2020 review by Independent Directors.	No objection
2020/5/5 Audit Committee	The findings of the internal audit reports for the first quarter of 2020	No objection
2020/5/21	Audit Report Findings April 2020 review by Independent Directors.	No objection
2020/6/19	Audit Report Findings May 2020 review by Independent Directors.	No objection
2020/7/23	Audit Report Findings June 2020 review by Independent Directors.	No objection
2020/8/4 Audit Committee	The findings of the internal audit reports for the second quarter of 2020	No objection
2020/8/21	Audit Report Findings July 2020 review by Independent Directors.	No objection
2020/9/24	Audit Report Findings August 2020 review by Independent Directors.	No objection
2020/10/23	Audit Report Findings September 2020 review by Independent Directors.	No objection
2020/10/29 Audit Committee	The findings of the internal audit reports for the third quarter of 2020	No objection
2020/11/20	Audit Report Findings October 2020 review by Independent Directors.	No objection
2020/12/22	Audit Report Findings November 2020 review by Independent Directors.	No objection

(3) Communication between Independent Directors and independent auditors: The Company CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee.

(4) The major matters of the communications between Independent Directors and independent auditors

Date	Descriptions of the major matters	Resolution
2020/2/13	The findings of the audits on the Company’s financial results for 2019.	No objection
2020/5/5	The findings of the review on the Company’s financial results for the Q1 ended March 31, 2020.	No objection
2020/8/4	The findings of the review on the Company’s financial results for the Q2 ended June 30, 2020.	No objection
2020/10/29	1. The findings of the review on the Company’s financial results for the Q3 ended September 30, 2020. 2. The findings of the audits on the Company’s Key Audit Matters, KAM.	No objection

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has enacted Corporate Governance Best-Practice Principles and disclosed on the official website and M.O.P.S. in addition to protect the rights and interests of shareholders, strengthen the powers of the Board of Directors, respect the rights and interests of stakeholders and enhance information transparency. The INX's Corporate Governance Best-Practice Principles" please refer to INX official website.	No significant difference compared to corporate governance practice principles
2.Shareholding structure & shareholders' rights				No significant difference compared to corporate governance practice principles
(1)Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has enacted Operating Procedures for Management over Major Internal Information and has, besides, set up spokesman and acting spokesman to take charge of proposals or disputes from shareholders.	
(2)Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2)The Company is in a position to dominate the name lists of the key shareholders and the terminal controllers of the key shareholders and has duly input such information to public into the Market Observation Post System (MOPS) promulgated	
(3)Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3)The Company has duly enacted the Regulations Governing Transaction with Related Parties, Regulations Governing Supervision over Subsidiaries and has, besides, set up relevant departments with sound mechanisms to evaluate and monitor potential risks with affiliated enterprises.	
(4)Does the Company establish internal rules against insiders trading with undisclosed information?	V		(4)The Company has duly acted the Operating Procedures for Management over Major Internal Information and further in accordance with the Company's internal control system, enacted Operating Procedures to Prevent Inside Trading and for Management over Major Information and Code of Ethics for Directors and Officers to ban inside personnel from buying, selling negotiable securities by taking advantage of the information which has not yet been made public in the market.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3.Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) A. The Company's Code of Corporate Governance strengthens the functions of the Board of Directors and formulates a diversified approach. The nomination and selection of the Board of Directors of the Company is in accordance with the provisions of the Company's articles of association. In addition to assessing the qualifications of each candidate's academic experience, and taking into account the opinions of interested parties, the Company's election rules and corporate governance code are adhered to. To ensure the diversity and independence of the Board of Directors. B. The eighth session of the Board member all have industry knowledge and international market outlook, and are good at leadership, operational judgment, business management, crisis management and other professional capabilities. The employee-identified Directors accounted for 57%, Independent Directors accounted for 43%, female Directors accounted for 0%, one Independent Director has a tenure of less than 3 years, and two Independent Directors have a tenure of 4-9. Four Directors were under 60 years old, two Directors were between 60 and 69 years old, and one Director was over 70 years old. The Company pays attention to gender equality in the composition of the Board. The target ratio of female Directors is more than 10%. It is expected that one female Director will be added to the next Board session to achieve the goal. Please refer to Note 1 on page 43 of this annual report for the Company's implementation of the diversification policy.	No significant difference compared to corporate governance practice principles
(2)Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2)The Company has set up the Audit Committee and Remuneration Committee, the Company's Independent Directors' serve as the Committee members. For more details regarding the business performance of the Company's Audit and Remuneration Committee, please refer to page 32-34&46-48 of this Annual Report. The Company, nevertheless, has not yet set up committee of other functions to date.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual Directors?			(3)The Board of Directors of the Company passed the "Board Performance Evaluation Method" on November 08, 2019, which stipulates that the Board of Directors shall perform performance evaluations for the Board of Directors, Board members, remuneration committee and audit committee at least once a year. The internal evaluation shall be conducted at the end of each year, and the current year's performance evaluation shall be conducted in accordance with this method. The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the Board of Directors, which should cover, at a minimum, the following five aspects: A. Participation in the operation of the Company; B. Improvement of the quality of the Board of Directors' decision making; C. Composition and structure of the Board of Directors; D. Election and continuing education of the Directors; E. Internal control. The criteria for evaluating the performance of the Board members, should cover, at a minimum, the following six aspects: A. Alignment of the goals and missions of the Company; B. Awareness of the duties of a Director; C. Participation in the operation of the Company; D. Management of internal relationship and communication; E. The Directors' professionalism and continuing education; F. Internal control. The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects: A. Participation in the operation of the Company; B. Awareness of the duties of the functional committee; C. Improvement of quality of decisions made by the functional committee; D. Makeup of the functional committee and election of its members E. Internal control.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			The internal self-assessment results of the Company's Board of Directors in 2020 were submitted to the Board of Directors on February 4, 2021. A. The overall assessment result of the Board's self-evaluation is excellent. B. The overall self-assessment results of Directors are excellent. C. The overall evaluation result of the functional committee's self-evaluation is excellent. It shows that the overall operation of the Company's Board of Directors is still perfect, and there are no major improvement projects. The Board recommended that the evaluation of the organization risk management unit to strengthen the risk assessment and control of management into the decision-making process of the enterprise, to improve corporate governance.	
(4)Does the Company regularly evaluate the independence of CPAs?	V		(4) On February 4, 2020, the Board of Directors of the Company regularly evaluates the independence of visa accountants on the basis of the independence of Article 47 of the Accountant Law and the content of the Code of Practice Ethics Bulletin No. 10. For the criteria for evaluating the independence of accountants, please refer to Note 2 on page 44 of this annual report.	
4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for Directors and supervisors to perform their duties, assisting Directors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	V		In order to protect shareholders' rights and interests and strengthen the functions of the Board of Directors, the Board of Directors of the Company appointed the Vice President Jun-Yi Yu as the Directors of Corporate Governance on August 5, 2020. His qualification meets the requirements of paragraph 1, Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. The responsibilities of the Directors of Corporate Governance include handling relevant matters of the Board of Directors' meeting and the general shareholders' meeting in accordance with the law, taking the minutes of the Board of Directors' meeting and the general shareholders' meeting, assisting the Directors in taking office and continuing education, providing the information needed for the Directors to carry out their business, assisting the Directors in legal compliance and reporting the operation of corporate governance to the Board of Directors on a regular basis every year. The secretary unit of	No significant difference compared to corporate governance practice principles

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			the Board of Directors is responsible for the implementation of corporate governance related matters. The detail of completed item in 2020 list as below, and is reported to the Board of Directors on February 4, 2021: 1. The Company held 4 Board meeting, 4 Audit committee meeting and 4 Remuneration Committee Meetings in 2020. 2. Regular AGM in 2020. 3. All the members of Board of Directors have participated in related courses for six hours. 4. The Company maintains D&O insurance for its Directors and key officers and report to the Board meeting. 5. Regularly communicate with Independent Directors and accountants about the company's financial and business situation. Please refer to page 33-34 of annual report and our website (http://www.innolux.com) for communication. 6. The Agenda and meeting materials of Board meeting mail/send to all Directors 7 days before of the Board meeting and remind in advance if the issues require interest avoidance and finished the meeting minutes in 20 days after the meeting. 7. Booking the date of AGM, prepare meeting notice, hand book and minutes within the statutory time limit, and handle change registration matters in the amendment of the Articles of Association or the re-election of Directors. 8. Training situation of corporate governance supervisor responsible Please refer to page 62-63 of annual report.	
5.Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company's stakeholders include employees, shareholders/investors, customers, suppliers, society (communities, media, NGOs), etc. Relevant communication channels include the "Investor Service," "Customer/Supplier Area," "Product Information" area set up on the Company's official website, as well as mailboxes for media contact, anti-corruption reporting, and corporate social responsibility (csr@innolux.com). To fully respond to the needs of stakeholders, the Company also equates the communication status, implementation plan, goals and results of all stakeholders related to corporate social responsibility with regular reports on the Board's agenda each year. The communication status of all stakeholders in 2020 was reported to the Board of Directors on February 4, 2021. The issues of stakeholders please refer the annual report page 44-45 Note 3.	No significant difference compared to corporate governance practice principles

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
6.Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed a professional agency to handle shareholder related services for the Company.	No significant difference compared to corporate governance practice principles
7.Information Disclosure				No significant difference compared to corporate governance practice principles
(1)Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1)Through the Company's website (http://www.innolux.com) with Chinese and English versions, we provide financial, business, and corporate governance information and keep updating.	
(2)Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2)The Company's English website announces information and our Public Relations department, Stock department and the related department responsible for collecting and disclosing the related information also set up positions for its spokesperson in accordance with the regulations and the Company provides Investor Conference report on the official website.	
(3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	(3)The Company announce and report annual financial statements within two months after the end of each fiscal year, and early announce monthly operation results, before the prescribed time limit and announce and report Q1, Q2, and Q3 financial statements, before the prescribed time limit.	

8.Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors)?

(1)Employee's Rights: Please refer to page 100 "5.5 Labor Relations" of the annual report

(2)Employee Care

The Company attaches great importance to the balance of physical and mental health of employees, in addition to holding a balance of physical and mental activities, it also sets up various physical and mental balance facilities. Through the establishment of the Staff Welfare Committee, the Taiwan factory organizes various leisure and cultural activities, promotes community activities and constructs a website of the Staff Welfare Association, so that employees can balance their health and life while working.

In order to improve employees' health awareness, we conduct regular health checkups and provide employee health consultations every year. In addition, in order to ensure the well-being of female employees, and in accordance with the labor regulations of the locality of the factory, the implementation of the maternity leave pay allowance, the strengthening of the fetus rest and the family care leave, etc., for the female employees of pregnancy, implement the health risk assessment, adjust the work as needed, Under the principle of maternity protection and employment equal rights, create a friendly working environment for female employees.

(3) Investor relations, the rights of suppliers and stakeholders

According to different interested groups, Innolux has established multiple and unobstructed communication channels, such as investors' service on company's webpage, suppliers zone, business service and product consulting, media communications, so that we can keep communicating and getting feedback from those interests groups' needs and expectations.

1. Employees: Establish communication channels such as employee care hotline, employee care mailbox, mobilization meeting communication meeting, government decrees on the system, labor-management meetings, and job welfare meetings.
2. Shareholders/Investors: The Company treats our shareholders with the principle of fairness and openness. We

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	

call the shareholders meetings according to the Company Act and other related laws every year, encourage stockholders to actively participate in the stockholders meeting with proposals and questions.

3. Customers: we have salespeople and customer service units to reply to customers' demands effectively, establish a CRM system, monitor the progress of handling issues, field audits and questionnaire feedback, and customers' satisfaction survey.
4. Suppliers: setting up an interactive platform for supplier purchasing and procurement management, and a buyer and procurement management department to host regular monthly/quarterly quality meetings with suppliers, and annual supplier conferences, and provide anti-corruption reporting mailboxes.
5. Society (communities, media, non-governmental organizations): There are full-time departments to respond in a timely manner, and the media contact mailboxes and telephones to respond by specified personnel, issue press releases and statement from time to time, and hold press conferences. NGOs: Participate in seminars organized by non-governmental organizations to grasp the trend of the industry, as a reference for policy planning, and cooperate with non-governmental organizations to support the disadvantaged and promote environmental awareness projects to strengthen two-way communication.

(4)Directors Profession Enhancement Status

The Company's Directors have both professional background and practical experience. The Company arranges further studies for Directors and every year. For the latest further study updates please refer to page 60-61of this annual report.

(5)Risk Management

The Board of the Company has established a risk management system to regularly monitor the related financial risks, regulation risks, climate change risks, hydropower risks, supplier chain risks, information safety risks, and the environment, safety, and health risks to enhance the competitiveness of the industry.

The risk management process mainly includes risk identification, risk assessment and risk response.

Risk identification: Identify relevant risk items according to regulations, industry standards and international development trends.

Risk assessment: The degree of risk is comprehensively considered according to the severity and frequency of occurrence

Risk response: According to the degree of risk, formulate control measures and response plans. The criteria for evaluating control plans generally include effectiveness, feasibility and cost.

(6)The implementation of customer policy

In addition to attaching importance to the confidentiality and privacy of customer information, the Company is committed to the establishment of various smart platforms, with a densely structured information network in the design, purchase, production, and sales aspects. The strategy is to collect information, intelligent analysis and diagnosis, and quickly promote improvement. Accurately predict rankings and optimize customer service, deepen product competitiveness and customer dependence, and achieve customer satisfaction. In addition, we understand and meet customer needs through customer satisfaction analysis and surveys every year. The aspects of evaluation include quality, technology, service and comprehensive indicators. In response to customer feedback and comments, we regularly review and propose appropriate improvement plans to continue to improve. The highest quality products and services.

(7)The Company implements and maintains D&O insurance for its Directors and key officers by the Company

The Company maintains D&O insurance for its Directors and key officers

9.Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

The Company governance of the Company was ranked among the top 21%~35%. It has set up its "Company governance guidelines" according to the revised Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies by the Taiwan Stock Exchange Corporation (TWSE). The Company has been working hard on sustainable economy, environment, and society and fulfilling long-term and sustainable responsibility to individual stakeholders and the whole society based on business core value of honesty and integrity.

The areas that require immediate improvement are described below:

Evaluation Indicators	Priority items to be improved and measures
Do the members of the Company's Remuneration Committee attend at least twice a year and disclose information such as policies, systems, standards and structures that regularly review the performance evaluation and compensation of directors, supervisors and managers?	The members of the company’s remuneration committee attend at least twice a year, and disclose information on policies, systems, standards, and structures that regularly review directors and managers’ performance evaluations and salary remuneration. The meeting date, the content of the proposal and the resolution will be disclosed on the Company's website or annual report
Does the Company establish an information security risk management framework, formulate information security policies and specific management plans, and disclose them on the Company's website or annual report?	The Company has formulated an information security policy and established an information security risk management framework. In the future, it will plan to review the information security policy on a regular basis, report to the Board of Directors on a regular basis, and disclose it on the Company's website or annual report.
Does the Company have provisions for the appointment and removal of internal auditors, appraisal, and remuneration to be reported to the Board of Directors or signed by the audit supervisor to the Chairman of the Board, and disclosed on the Company's website?	The Company has clearly stipulated the verification methods for the appointment, dismissal, evaluation, salary, etc. of internal auditors, and will disclose the appointment, dismissal, evaluation, salary and remuneration of internal auditors. The audit supervisor will sign the relevant prescribed name and content of the Chairman on the Company website.

Note1: Board Diversity Policy

Title	name	Industry experience / professional								Years of Independent Directors			Age			Gender	Employee status
		Operational Judgments	Management Administration	Accounting & Financial analysis	Business & Economics	Crisis Management	Knowledge of the industry	International market perspective	Ability to lead and to make policy decisions	Under 3 years	3-9year	9 years or more	Under 60 year-old	61-69 year-old	Above 70 year-old		
Chairman	Jin-Yang Hung	V	V	V	V	V	V	V	V	—	—	—	V	—	—	M	V
Director	Jyh-Chau Wang	V	V	V	V	V	V	V	V	—	—	—	V	—	—	M	V
Representative of Institution Director	Chu-Hsiang Yang	V	V	V	V	V	V	V	V	—	—	—	V	—	—	M	V
Representative of Institution Director	Chin-Lung Ting	V	V	V	V	V	V	V	V	—	—	—	V	—	—	M	V
Independent Director	Chi-Chia Hsieh	V	V	V	V	V	V	V	V	—	V	—	—	—	V	M	—
Independent Director	Zhen-Wei Wang	V	V	V	V	V	V	V	V	V	—	—	—	V	—	M	—
Independent Director	Stanley Yuk Lun Yim	V	V	V	V	V	V	V	V	—	V	—	—	V	—	M	—

Note2: The independence of CPAs

Item		Results
1	No major financial interested relationship with the client	V Yes No
2	Avoiding any improper relationship with the client	V Yes No
3	The accountant should supervise their assistants to strictly comply with honesty, justice and independence	V Yes No
4	The accountant is prohibited from auditing certification for the Company's financial report where he/she served in within the previous two years	V Yes No
5	The accountant's identification is forbidden to be infringed by another individual	V Yes No
6	The accountant does not hold any shares in the Company or in its subsidiaries	V Yes No
7	The accountant does not owe any debt to the Company or its subsidiaries	V Yes No
8	The accountant is not in any joint investment or benefit-sharing relationship with the Company or its subsidiaries	V Yes No
9	The accountant is not employed and paid regularly by the Company or its subsidiaries	V Yes No
10	The accountant does not receive any commission which is occupational-related	V Yes No
11	The accountant is subject to disciplinary actions does not over 7 years or returning does not less than 2 years	V Yes No
12	The accountant audit experience obtain the Electronic industry	V Yes No

Note3: The issues of stakeholders

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2020
Employees	Recruitment and staffing Human rights Talent development and training Occupational health and safety	Communication channel: 1. Labor-management meeting: quarterly 2. Employee welfare meeting: quarterly 3. Department meeting: irregularly 4. Satisfaction survey: irregularly 5. Mailbox: irregularly Contact person: Ms. Liu/hr.jn@innolux.com/037-586000#64650 Contact person: Ms. Wang/hr.tn@innolux.com/06-5051888#47276	363 labor-management meetings in Chinese area 976 internal communication cases in Chinese area
Shareholders/ Investors	Financial performances Recruitment and staffing Emission of greenhouse gases Energy management Green product management Supply Chain Management Occupational health and safety	Communication channel: 1. AGM: yearly 2. Institutional investor conference: half-yearly 3. Participation in seminars held by local and overseas investment agencies: irregularly 4. Annual report and CSR report: yearly 5. Investors' hotline and mailbox: irregularly 6. Releasing material information on MOPS: irregularly Contact person: IR:Ms. Chen/ ir@innolux.com / 06-5051888#47154 Shareholders: Ms. Chen/ ir@innolux.com//037-586000#63588	82 pieces of material information (Chinese/English) 27 pieces of announcements 25 pieces of news one participation domestic conference 220 investors/analyst conference 320 hotline and mailbox response

Stakeholder	Concerned issues	Major Communication Channel, Response Method, Frequency	Result in 2020
Customers	Occupational health and safety Human rights Integrity management R & D and innovation of products and technologies Customer relationship management Water resources management	Communication channel: 1. Routine meeting: daily, weekly, monthly 2. Audit: quarterly, yearly 3. Customer satisfaction survey: yearly 4. Vendors' assembly: yearly Contact person: Ms. Huang/sales@innolux.com/06-5051888#44856	Over 100 VIP customers audit conferences of quality result Over 1,000 routine communication meeting
Suppliers	Occupational health and safety Human rights Diversity and equality Recruitment and staffing Talent development and training	Communication channel: 1. Supplier communication meeting: weekly, monthly 2. Material quality meeting: monthly 3. Annual suppliers' meeting: yearly 4. Suppliers' audit: irregularly 5. Anti-corruption mailbox: irregularly 6. Suppliers' self-assessment questionnaire: yearly Contact person: SRM (Supplier Relationship Management) : (website address: http://srm.innolux.com/) An interactive platform for information exchange between purchasing/material control units and suppliers	829 suppliers' CIP meetings 169 communication meetings
Society (communities, media, NGOs)	Air pollution prevention Recruitment and staffing Water management Energy management	Communication channel: 1. Charity event: irregularly 2. Official website of foundation: irregularly 3. Fan page on FACEBOOK: irregularly 4. Press conference: irregularly Contact person: CSR: Ms. Tseng/csr@innolux.com/06-5051888#47042 PR: Ms. Chien/pr@innolux.com/06-5053760#47153 Innolux Corporation Education Foundation: Ms. Guo/Foundation@innolux.com/06-5051888 #47060	35 communication meetings of industry association 2,300 persons benefited from charity event 200 times responses by telephone and text 25 pieces of news release 3 press conference

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A.Professional Qualifications and Independence Analysis of Remuneration Committee Members

Criteria / name	Meet One of the Following Professional Qualification Requirements, together with at Least Five Years of Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a national Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent Director Chi-Chia Hsieh	—	—	V	V	V	V	V	V	V	V	V	V	V	1
Independent Director Zhen-Wei Wang	—	—	V	V	V	V	V	V	V	V	V	V	V	2
Independent Director Stanley Yuk Lun Yim	—	—	V	V	V	V	V	V	V	V	V	V	V	—

Note : Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a Director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a Directors, supervisor, or employee of a corporate shareholder that directly holders 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's Directors or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a Director, supervisor, or employee of other companies controlled by the same person with over half of the Company's Directors seats or shares with voting rights (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

7. Not a Director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an Independent Directors of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, Directors, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not a person of any conditions defined in Article 30 of the Company Law.

B.Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 4 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	name	Attendance in Person (B)	By Proxy	Attendance rate (%)	Remarks
Convener	Chi-Chia Hsieh	3	1	75.00%	
Committee Member	Stanley Yuk Lun Yim	4	—	100.00%	
Committee Member	Zhen-Wei Wang	4	—	100.00%	

Note: The actual attendance (%) was calculated based on the number of meetings and the actual number of attendances during his tenure.

Other mentionable items:

1. Scope of duties of the Remuneration Committee

(1).Periodically reviewing this Charter and making recommendations for amendments.

(2).Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the Directors, supervisors, and managerial officers of this Corporation.

(3).Periodically assessing the degree to which performance goals for the Directors and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(1).Salary management should conform to the Company's salary concept.

(2).Performance assessments and compensation levels of Directors and managerial officers shall take into account the general pay levels in the industry. Also, to be evaluated are the reasonableness of the correlation between the individual's performance and this Corporation's operational performance and future risk exposure.

(3).No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

2. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company’s response to the remuneration committee’s opinion (e.g.., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

3. The resolutions of the Remuneration Committee and the Company’s response are as follows:

Board Meeting	Remuneration Committee	Agenda items	Resolution	Company's handling of the members' opinions
8-7 2020/2/13	4-3 2020/2/13	1. Functional committee remuneration recommendation 2019. 2. Recommendation of full rewards for managers 2019.	Approved by Committee	Approved by all Independent Directors
8-8 2020/5/5	4-4 2020/5/5	1. Distribution proposal of full rewards for managers 2019. 2. Amendment to the Compensation Committee Charter.	Approved by Committee	Approved by all Independent Directors
8-9 2020/8/4	4-5 2020/8/4	1. Review of full rewards for managers Recommendation 2019. 2. Review of the amendment to the standard of full rewards for managers.	Approved by Committee	Approved by all Independent Directors
8-10 2020/10/29	4-6 2020/10/29	1. Review of the amendment to the Rules for Evaluating Board of Directors. 2. Review of distribution proposal of full rewards for managers 2019.	Approved by Committee	Approved by all Independent Directors

3.4.5 Corporate Social Responsibility Implementation Status and Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		The Board of the Company has established a risk management mechanism to regularly review the risks related to finance, laws and regulations, climate change, water and electricity resources, industrial supply chain, information security and occupational safety and health, so as to improve its competitiveness in the industry. The risk management process mainly includes risk identification, risk assessment and risk response. Risk identification: identifying relevant risk items according to laws and regulations, industrial standards and international development trends. Risk assessment: comprehensive consideration of the severity and frequency of the risk. Risk response: formulating control measures and response plans according to the degree of risk. The criteria for evaluating control plans generally include the effectiveness, feasibility and cost. The Company's relevant risk management policies and effectiveness are disclosed in the annual CSR report and the official website.	No significant difference compared to Corporate Social Responsibility
2.Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	V		The Company has set up a corporate social responsibility department as a special promotion organization. The Board of Directors on October 27, 2017 formulated the Company's corporate social responsibility code of practice, and authorized the chairman or his designated person to be responsible for corporate social responsibility policies, systems or Relevant management policies and specific promotion plans are proposed and implemented, and according to the principle of materiality, the risk assessment of environmental, social or corporate governance issues related to the Company's operations is carried out. The implementation results and the work plan in 2020 were reported to the Board on February 4, 2021. Through the supervision of the Board of Directors to assist the management team to	No significant difference compared to Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			practice corporate social responsibility, promote sustainable performance.	
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		(1)The Company has been actively promoting relevant EHS management systems and occupational Safety and Health Management System and so forth in order to facilitate a positive cycle of gradual improvement for green sustainability and safety culture. The Company began to introduce environmental management system and obtained verification as early as 2001, and obtained the ISO14001: 2015 new version of the standard verification certificate issued by the impartial third-party verification agency in 2020. The Company's Taiwan factory EMS certificate is verified by a third-party verification agency (BSI). The latest verification date: December 12, 2019, and the certificate validity period: December 11, 2022.	No significant difference compared to Corporate Social Responsibility
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) The Company has not only reduced its discharge of contaminants from the source but also reduced the quantity of pollutants in its waste water discharge to increase its recycling rate by machine design and Technology promotion. The Company successfully achieved the water resource saving goal of reducing water intensity by 30% in 2020 (compared to 2018).	
(3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		(3) The Company follows the "national Climate Change Adaptation Policy Program", cooperates with the government department's greenhouse gas reduction plan, and also incorporates climate change related information and potential risks and opportunities into the "Corporate Social Responsibility Committee" issue. Promote improvement and review of implementation effectiveness, reduce external environment and business risks. The TCFD risk assessment framework will also be introduced in 2021 to adjust and mitigate the risk impact of climate change.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(4) Does the Company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		(4) The Company has counted greenhouse gas emissions, water consumption and total waste weight for many years. Continuously improve electricity efficiency and clean process improvement for specific production to reduce greenhouse gas emissions, complete greenhouse gas inventory in accordance with ISO14064-1 and pass third-party external verification to understand the space for improvement. Both "Climate Change" and "Water Management" received B ratings in Carbon Disclosure Project (CDP) of 2020. Facing the challenges of water resources, the Company focused on water saving and recycling, and improved the efficiency of water resources management to effectively respond to the water shortage crisis. In terms of waste reduction, it is implemented to promote waste reduction and recycling at the source. The CSR report is issued every year to disclose the Company's policies and effectiveness in greenhouse gas emissions, water consumption and waste management.	
4.Social issues				No significant difference compared to Corporate Social Responsibility
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company formulates relevant employee codes in accordance with labor standards law, employment service law and gender work equality law, etc. to protect the rights and interests of colleagues. Also abide by international labor standards such as the "United nations Universal Declaration of Human Rights", "United nations Guidelines on Enterprise and Human Rights", the ILO Declaration on Fundamental Principles and Rights at Work, and the "Responsible Business Alliance (RBA)" Based on local labor laws, establish an equal opportunity corporate culture.	
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		(2) The Company provides employees with work and life leave plans, festive bonuses, and group insurance. It also plans a competitive salary level. In addition to considering the external competitiveness and internal fairness of salary and benefits, it also has an overview of the Company's financial and operating conditions. The industry's annual salary adjustment strategy and personal work performance, improve the planning and execution of annual salary adjustment operations, design and issue incentive bonuses to motivate and retain outstanding talents	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company sets up the environmental safety unit, which is responsible for planning, implementation, auditing and improvement of the Company's environmental safety and health management system operation and has environmental safety and quality policies. The Company has obtained the occupational health and safety management system verification and requires all departments to implement relevant safety Execution of health services and regular education and training, including the planning and execution of fire-fighting equipment (administration) and water and electricity, the monitoring and control of business waste cleaning, and emergency handling procedures, etc. The Company created a high-quality workplace environment for employees, and won a highest honor award- "national Occupational Safety and Health Award-Enterprise Benchmarking Award" in 2020.	
(4) Does the Company provide its employees with career development and training sessions?	V		(4) The Company takes "added value, diversification, and platformization" as the key strategic direction. Under the action goal of "stabilizing the foundation, improving efficiency, and driving growth", the training focuses on the professional value-added of personnel, management ability training, language courses, The learning platform is promoted to enhance the company's cross-disciplinary talent capabilities. In addition, it also assists in the formation of consensus of the new creation team to increase the per capital output value of employees and strengthen the overall competition of the organization, respond to the artificial intelligence wave of Industry 4.0 transformation and promote the integration of cross-field expertise.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	V		(5) The Company Product safety has always been the most important consideration for consumers. And as such, safe product design and a series of safety specification accreditations have been incorporated at the early stage of product design to ensure the safety of consumers. Innolux has taken the initiative to apply for international standard accreditation labels for its LCD panels in order to help consumers identify safe products at a glance. The Company has established operating principles that are customer-oriented and through means of telephone calls, email exchanges and face-to-face meetings, we are able to have solid grasp of customers‘ needs so as to formulate improvement strategies to respond to customers in a timely manner.	
(6) Does the Company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V		(6) The Company formulates the "Supplier's Corporate Social Responsibility Management Practices" based on the Responsible Business Alliance Code of Conduct (RBA), and expects suppliers to work together to fulfill corporate social responsibilities in all aspects of ethics, labor human rights, environment, health, safety and management systems, good risk management and continuous operation plan. New suppliers must sign a manufacturer’s commitment before cooperating to ensure that the commitments comply with RBA requirements. Existing suppliers conduct CSR risk questionnaire surveys (SAQ) annually for key raw material suppliers. High-risk suppliers initiate on-site audits and continue to track and supervise to ensure that they are properly improved.	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	V		The Company's 2020 CSR Report is based on the GRI Sustainability Reporting Standards (GRI Standards) officially published by the Global Sustainability Reporting Association on October 19, 2016 and passed the third-party verification unit Taiwan Verification Technology Co., Ltd. SGS) guarantees, in line with the spirit of the AA1000AS (Account Ability 1000 Assurance Standard) second application type high assurance level, and the requirements of the GRI Standards comprehensive compliance option (Comprehensive).	No significant difference compared to Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company formulated corporate social responsibility policies and corporate social responsibility code of conduct in accordance with the corporate social responsibility code of practice of listed companies and the Responsible Business Alliance (RBA) code of conduct, emphasizing the inclusion of social environmental opportunities and risks Operation management, pursuing the Company's sustainable development. The corporate social responsibility policy is based on the corporate code of conduct and takes the responsible business alliance code as the core, covering five policy directions including corporate governance, environmental protection, employee care, supply chain social and environmental responsibility management, and community participation. Communicate and integrate with interested parties, and strive to achieve a sustainable environment and a human society.				
7.Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: The Company adheres to the concept of corporate management and social co-prosperity, combines corporate social responsibility policies with business strategies, and jointly promotes with the Innolux Education Foundation. The Company continued to organize charity activities “bring love to country ", raising 1,300 Christmas gifts and student fundraising of approximately NT$1.2 million, and sending warmth to rural children in the cold winter. In addition, other complete and detailed corporate social responsibility performance is divided by the form of issuance report, and relevant information is also published on the company's website and MOPS.				

3.4.6 Ethical Corporate Management Implementation Status and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Establishment of ethical corporate management policies and programs				No significant difference compared to Integrity Operation Practice Principles
(1) Does the Company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	V		(1) Integrity and integrity are the Company's most important operating stone, which consolidates the Company's leadership role in the panel industry and gains the trust and respect of customers, shareholders, employees, suppliers and society. The Company's integrity management policy has been set out in the Innolux Code of Integrity Management Code, Corporate Governance Practice Code, Corporate Social Responsibility Practice Code, Directors and Managers' Code of Ethical Conduct adopted by the Board of Directors. Various internal regulations and external documents, such as employee code of conduct, supplier corporate social responsibility code of conduct, and operating standards, express the policies and practices of operating in good faith, and strictly require employees of the Company to fulfill the Company's integrity policy. At the same time, the Company's annual report and corporate social responsibility report and other documents also detail the Company's integrity management policy and the Board of Directors and management's commitment to actively implement the situation.	
(2) Does the Company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best- Practice Principles for TWSE/TPEx Listed Companies?	V		(2) In order to prevent dishonesty, the Company has strengthened relevant prevention measures in regulations and external documents for business activities with a high risk of dishonesty, and regularly checks, analyzes and evaluates whether the prevention measures are operating effectively to review and correct the prevention measures. In addition, the Company requires all employees to understand the aforementioned specifications in detail, and publish the specifications on the Company's official website and internal website for internal and external personnel to consult at any time. The Company continues to use regular education and training and diversified publicity methods to make employees clearly aware of the norms they should abide by, thereby reducing the occurrence of dishonest behavior.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V		(3) Innolux Code of Integrity Management Code, Directors and Managers' Code of Ethical Conduct, Employee Code of Conduct and Supplier CSR Code of Conduct Operating Norms are set to prevent dishonesty norms, for all employees and suppliers to follow together, but also in the Innolux corruption investigation and management practice norms for dishonest behavior of the whistle-off system, including whistleblowing law, whistleblowing channels and handling process, for internal and external personnel to file a complaint. The Company will take a fair attitude towards dishonesty and investigate and report cases in a rigorous manner, and in the event of a violation, the Company will take appropriate legal action in accordance with the relevant laws and regulations of work.	
2.Fulfill operations integrity policy				No significant difference compared to Integrity Operation Practice Principles
(1)Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) The Company requires global suppliers to comply with the supplier's code of social responsibility for corporate behavior and sign a manufacturer's commitment to jointly practice the Company's corporate culture of integrity management. In addition, the Company continues to conduct policy communications to suppliers and customers to communicate the Company's integrity management culture to suppliers and customers, and to understand whether any misconduct has occurred.	
(2) Does the Company establish a dedicated unit under the Board of Directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V		(2) The Company is led by the Corruption Incident Investigation Team as a special unit. It continues to promote various integrity management plans in accordance with company policies, and promotes integrity and cleanliness matters. Integrity management policies, prevention of dishonesty behavior plans, supervision, and implementation situation in 2020 have been reported to the Board of Directors on February 4, 2021. If there is a case of violation of integrity and integrity, the Company will handle it in accordance with the regulations of the investigation and management of the corruption incident of Innolux.	
(3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company has set out the relevant codes of conduct for the prevention of conflicts of interest in the Code of Ethics and employee code of conduct for Directors and managers. All colleagues are required to voluntarily declare and avoid any conflict of interest. In order to implement the policy, the Company also requires employees to fill out an annual questionnaire survey to voluntarily report any conflicts of interest.	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	V		(4) The Company establishes a complete and effective accounting system and internal control system to ensure the continuous design and implementation of the system. In addition to regular audits by the internal auditing unit of the Company and its compliance with the anti-corruption measures formulated in accordance with the risk assessment results within the Company, there is also PricewaterhouseCoopers to regularly check the financial statements for the Company.	
(5)Does the Company regularly hold internal and external educational trainings on operational integrity?	V		(5) Education and training are the most important part of the Company's implementation of the integrity policy. The Company continues to strengthen the compliance awareness of colleagues through the integrity management education and training courses, and at the same time uses the official website, posters, startup screens, and screen savers to continue to promote integrity management standards. The Company regularly organizes internal education and training on anti-corruption policies. The theme of the 2020 course is the company's anti-corruption policy and related case analysis. It took about one hour (including lectures and quizzes), and the number of participants and completed training was 13,525. In addition, since 2020, the Company has been conducting "Prevention of Insider Trading" courses (including physical and digital courses) for Directors, managers and employees, and the number of trainees has exceeded 1,400. In addition, in order to ensure that suppliers follow the company’s integrity management policy, in addition to drafting supplier’s corporate social responsibility codes of conduct and operating specifications for suppliers to follow, the Company has also announced the specifications on the Company’s official website for their reference at any time.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. The operation of the Company's whistleblowing system (1)Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The Company in the official website to set up a report mailbox, to provide whistleblowing channels, reception procedures and other information (speak-up@innolux.com) for internal and external personnel at any time to use. In addition, this reporting channel information is disclosed in the Company's boot screen, internal advocacy posters and the commitment letter that suppliers should sign, so that internal and external people are informed and make full use of the whistleblowing channels to report. Report cases according to the Innolux's corruption investigation and management practices set up an investigation team to investigate.	No significant difference compared to Integrity Operation Practice Principles
(2) Does the Company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	V		(2) The Company has formulated detailed investigation procedures and related confidentiality mechanisms for the investigation and management of the corruption incidents of Innolux Optoelectronics. For investigations of reported cases, the Company conducts investigations in a confidential and rigorous manner. After the investigation of the reported cases is completed, the Company takes follow-up measures according to the severity of the internal rules. If criminal responsibility is involved, it will be transferred to the judicial office for investigation.	
(3)Does the Company provide proper whistleblower protection?	V		(3) The Company strictly prohibits any form of retaliation. In order to protect the whistleblower, the Company clearly stated in the Innolux Optoelectronics Code of Conduct that the Company will protect the whistleblower from any retaliation caused by the report, and prohibits colleagues from taking any retaliation measures. In the course of the investigation, the investigation team did abide by the relevant provisions of the confidentiality of the informant's identity and anonymous reporting, strictly abided by the standard operating procedures for the investigation of the report, and related confidentiality mechanisms, to protect the confidentiality of the informant's identity, so that the informant would not suffer from the report Improper disposal.	
4.Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company discloses the Code of Conduct on the Company's official website and MOPS. It also discloses related information about operational integrity and implements results in the official website and corporate social responsibility report.	No significant difference compared to Integrity Operation Practice Principles

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5.If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has enacted Corporate Integrity Practice Principles of Innolux approved by Board of Directors meeting and disclose on the official website and MOPS. All of the Company's colleagues and affiliates are required to comply with these provisions, there is not conformity with the integrity operation practice principles.				
6.Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies).: (1) Strictly abide by the business conduct regulations and other relevant regulations for listing companies as the basis for the implementation of integrity management, and continue to identify and update the regulations to ensure the implementation of the regulations. (2) The Company continues to conduct business ethics regulatory risk assessments every year, and implements the company's business ethics risk management through the internal control system.				

3.4.7 Corporate Governance Guidelines and Regulations

The Company has established the Corporate Governance Code, which addresses the protection of shareholders' rights and interests, strengthens the functions of the Board of Directors, respects the rights and interests of stakeholders, and enhances information transparency. It also reviews and evaluates the corporate governance evaluation conducted by the Taiwan Stock Exchange. The actual implementation of the quantitative indicators is expected to assist the Company to gradually establish a good corporate governance system to enhance the effectiveness of corporate governance. For the Company's corporate governance operation, please refer to the annual report, Implementation of Corporate Governance of III. Corporate Governance Report (pages 29-64). For the Company's corporate governance code and related regulations, please inquire on the MOPS or the Company's website.

3.4.8 Other Important Information Regarding Corporate Governance

1.Standard operating procedures for the handling of vital internal information: Innolux has established its Vital Internal Information Handling Procedure that clearly regulates the handling of important internal information. Relevant procedures have been submitted to the Board for approval and internal announcements have been made in the Company along with relevant trainings for all employees.

2. In order to strengthen our competitive edge, the Company continues to combine operational objectives and R&D resources to formulate intellectual property strategies and to implement intellectual property deployment and protection measures. In particular, we have established tactic deployment strategies for intellectual property management (including patent education and training, proposed evaluation mechanism, incentive system, post-approval evaluation, and patent revitalization strategy), and have also established a patent management system to create a comprehensive patent control framework to strengthen the control, utilization, and deployment of patents. To date, the Company has an aggregate of approximately 12,000 patents worldwide.

   In addition, for trademarks, copyrights, and trade secrets, the Company continues to actively perform trademark examination and arrangement in accordance with the relevant management regulations. Up to now, the Company has obtained 150 registered trademarks worldwide. In addition, we control trade secrets and copyrights through strict security measures, and further extend the protection of all intellectual property to effectively control and integrate the superior resources of intellectual property, strengthen the Company's competitiveness, and ensure the competitive advantage.

   The implementation of the Company's 2020 intellectual property management plan was reported to the Board of Directors on February 4, 2021.

3. Status of Directors ' participation in corporate governance related courses and trainings as of the deadline of annual report publication

Title	Name	Date	Sponsoring Organization	Course	Hours
Chairman	Jin-Yang Hung	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
Director	Jyh-Chau Wang	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
Director	Hyield venture Capital Co., Ltd. Chu-Hsiang Yang	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29		How to consolidate the company's	3

Title	Name	Date	Sponsoring Organization	Course	Hours
		2020		ownership by effectively improving corporate governance	
	Hyield venture Capital Co., Ltd. Chin-Lung Ting	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
Independent Director	Chi-Chia Hsieh	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Aug. 11 2020	Taiwan Corporate Governance Association	Climate Change and TCFD	3
		Aug. 11 2020	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		Oct. 29 2020	Corporate Operation Association	How to consolidate the company's ownership by effectively improving corporate governance	3
Independent Director	Stanley Yuk Lun Yim	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
Independent Director	Zhen-Wei Wang	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Aug. 26 2020	Taiwan Corporate Governance Association	Trends and Challenges of Information Security Governance	3
		Oct. 29 2020	Corporate Operation Association	How to consolidate the company's ownership by effectively improving corporate governance	3
		Nov. 6 2020	Taiwan Corporate Governance Association	The true value created by low carbon and circular economy innovation	3

4. Status of managers‘ participation in corporate governance related courses and trainings as of the deadline of annual report publication

Title	Name	Date	Sponsoring Organization	Course	Hours
Chairman &CEO	Jin-Yang Hung	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
		Jan. 13 2020	Innolux Corporation	Group governance and management	1
		Jun. 10 2020		Digital Transformation Series-McKinsey Seminar	1

Title	Name	Date	Sponsoring Organization	Course	Hours
		Dec. 9 2020		Digital Transformation Series-Google Talk	1.5
		Dec. 21 2020		Prevention of insider trading	1.5
President &COO	Chu-Hsiang Yang	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
		Jan. 13 2020	Innolux Corporation	Group governance and management	1
		Jun. 10 2020		Digital Transformation Series-McKinsey Seminar	1
		Dec. 9 2020		Digital Transformation Series-Google Talk	1.5
		Dec. 21 2020		Prevention of insider trading	1.5
Executive Vice President	Chin-Lung Ting	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
		Jan. 13 2020	Innolux Corporation	Group governance and management	1
		Jun. 8 2020		Summary of Trade Secrets and Personal Information Law and Anti-Corruption Policy	0.5
		Sep. 1 2020		Antitrust law compliance	0.5
		Dec. 21 2020		Prevention of insider trading	1.5
Consultant	Jyh-Chau Wang	Aug. 4 2020	Corporate Operation Association	Competition for ownership and case analysis	3
		Oct. 29 2020		How to consolidate the company's ownership by effectively improving corporate governance	3
		Dec. 21 2020	Innolux Corporation	Prevention of insider trading	1.5
Vice President	Jun-Yi Yu	Aug. 14 2020	Taiwan Corporate Governance Association	Introduction to corporate governance and compliance with relevant laws and regulations	3
		Sep. 15 2020	Taiwan Corporate Governance Association	Enterprise risk management and legal compliance issues practice	3
		Oct. 14	Taiwan Corporate	Audit committee establishment and	3

Title	Name	Date	Sponsoring Organization	Course	Hours
		2020	Governance Association	operation	
		Oct. 29 2020	Corporate Operation Association	How to consolidate the company's ownership by effectively improving corporate governance	3
		Nov. 10 2020	Taiwan Corporate Governance Association	How the Audit Committee Supervises the Effectiveness of Internal Control	3
		Dec. 2 2020	Taiwan Corporate Governance Association	The 16th Corporate Governance Summit	6
		Dec. 21 2020	Taiwan Corporate Governance Association	Prevention and case analysis of insider trading	2
		Jan. 13 2020	Innolux Corporation	Group governance and management	1
		Jun. 10 2020		Digital Transformation Series-McKinsey Seminar	1
		Aug. 19 2020		Digital Transformation Series-BI Course	4
		Dec.9 2020		Digital Transformation Series-Google Talk	1.5
Vice President	Hung-Wen Yang Chih-Ming Chen Yao-Tong Chen Yu-Shui Kuo	Jan. 13 2020	Innolux Corporation	Group governance and management	1
		Aug 20 2020		Summary of Trade Secrets and Personal Information Law and Anti-Corruption Policy	0.5
		Jul. 30 2020		Digital Transformation Series-Google Talk	1.5
		Nov 08 2020		Prevention of insider trading	1.5
Vice President	Hung-Wen Yang Chih-Ming Chen Yao-Tong Chen	Jun. 10 2020	Innolux Corporation	Digital Transformation Series-McKinsey Seminar	1
Vice President	Hung-Wen Yang Chih-Ming Chen Yu-Shui Kuo	Aug. 19 2020	Innolux Corporation	Digital Transformation Series-BI Course	4
Vice President	Chih-Ming Chen Yao-Tong Chen Yu-Shui Kuo	Sep. 1 2020	Innolux Corporation	Antitrust law compliance	0.5
Finance Supervisor	Jhih-Siou Liou	Sep. 1 2020	Innolux Corporation	Antitrust law compliance	0.5
		Aug. 19 2020		Digital Transformation Series-BI Course	4
		Dec. 21 2020		Prevention of insider trading	1.5
Accounting Supervisor	Kun Ma	Jun. 8 2020	Innolux Corporation	Summary of Trade Secrets and Personal Information Law and Anti-Corruption Policy	0.5
		Jun. 10 2020		Digital Transformation Series-McKinsey Seminar	1
		Aug. 19 2020		Digital Transformation Series-BI Course	4
		Sep. 1 2020		Antitrust law compliance	0.5
		Dec. 21 2020		Prevention of insider trading	1.5

5. Certification Details of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Certification	Number of Employees	
	Finance& Accounting	Internal Audit
Certified Public Accountant (CPA)	2	—
Certified Public Accountant (US CPA)	1	—
Certified Internal Auditor (CIA)	1	2
Chartered Financial Analyst (CFA)	1	—
Certified Management Accountant (CMA)	2	—
Financial Risk Manager (FRM)	1	—
Certified Securities Investment Analyst (CSIA)	1	—
Senior Securities Specialist	10	—
Securities Specialist	7	—
Service personnel	2	—
Internal controller test of SFI	2	—
Basic Competency Test of Corporate Governance of SFI	1	—

6. Succession planning and operation of Board members and important management members

The Company implements the diversification policy of Board members in accordance with the corporate governance code of practice. There are currently 7 Directors (including 3 Independent Directors), all of whom have industry knowledge and international market views, and are good at leadership, operational judgment, operation management, crisis management and other professional capabilities. Four of them concurrently serve as senior management of the Company. In the future, the composition structure of the Board of Directors of the Company and the experience background of members will continue the current structure. The annual "Board Performance Evaluation Results" will be used as a reference for the nomination of Directors for renewal.

Regarding the succession planning of the Board of Directors, the Company cultivates high-level managers to enter the Board to familiarize them with the operations of the Board and the business of the Company's units, and deepen their industry experience through work rotation. At present, the Company has many high-level management professionals, so the Company has ample talent pool to be appointed as future Directors. In addition to considering diversity, it will focus on gender equality and possess the knowledge, skills and literacy necessary for performing duties.

The Company adheres to embracing change and leading the market demand, with the three main directions of "cultivating innovation and arranging succession", "deploying the leadership team" and "deepening the depth of positions". In addition to excellent work ability, the successors should also have the values consistent with those of the Company.

Based on the talents' future development and potential ability, the succession cultivation plan is divided into the three stages of experience cultivation, agency and observation, and formal succession. During the period, courses and action learning, project assignment and management authorization, and assignment and rotation are provided, and the feasibility of formal succession is assessed through performance evaluation and high-level personnel review. In addition to internal learning, senior executives and potential talents are also encouraged to study in top universities to deepen the knowledge and ability of business management.

3.4.9 Internal Control System

1.Statement of internal control system

Innolux Corporation
Statement of Internal Controls

Date: Feb 4, 2021

According to the examination on internal control systems done by the Company itself in 2020, we hereby state as follows:

I. The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: The effectiveness and efficiency of business operation (including earnings, operation performance, and the safeguard of company assets); The reliability of the financial and related reports; and The compliance of the relevant laws/regulations and company policies;

II. Due to the innate limitations in designing a faultless internal control system, this system can only assure that the reasonableness of the above three objectives has been fairly achieved. In addition, the effectiveness of the internal control system may change over time due to the change of the business environment or situation. Since the Company's internal control system has included a self-examination capability, the Company will make immediate corrections when errors are detected.

III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.

IV. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.

V. The examination results indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2020 had effectively assured that the following objectives had been reasonably achieved during the assessing period: The degree of effectiveness and efficiency of business operation; The reliability of the financial and related reports; The compliance of the relevant laws/regulations and company policies

VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171, and Article 174 set forth in the Taiwan's Securities and Exchange Act.

VII. The Company hereby declares that this statement had been approved by the Board of Directors on Feb 4, 2021. Among the 7 attending Directors, no one raised any objection to the contents of this statement.

Innolux Corporation
Chairman: Jin-Yang Hung
General Manager: Chu-Hsiang Yang

2.Hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.

3.4.10 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Important resolutions and implementation made by the Shareholders' Meeting by the end of 2020

(1) Adoption of the 2019 Business Report and Financial Statements

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: Fully implemented in accordance with the resolutions

(2) Adoption of the Proposal for Profit and loss for the year 2019

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: The Company did not distribute dividends.

(3) Resolution to the Proposal of cash distribution from capital surplus

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: July 25, 2020 is set as the ex-dividend date and August 14 of the same year is set as the cash dividend payment date. The cash dividend is NT$0.1 per share.

(4) Resolution to the Proposal of transferring shares bought back to employees at a price lower than the average price of the actually purchased shares

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: All shares have already transferred on September 25, 2020, and have announced on MOPS.

(5) Amendment to the procedures for engaging in derivatives trading of the Company

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: the company uploaded to the MOPS and disclosed on the Company website on July 2, 2020, and matters were handled in accordance with the amended procedures.

(6) Amendment to the rules of shareholders' meeting of the Company

Status of execution: The voting result, the weight of approval was in accordance with the statutory requirements

Implementation Status: The Company uploaded to the MOPS and disclosed on the Company website on July 2, 2020, and matters were handled in accordance with the amended procedures.

(7) By-election of the Director of the Company

Status of execution: Jyh-Chau Wang was elected as a director, according to the voting result

Implementation Status: The elected Director is Jyh-Chau Wang. The tenure is from June 19, 2020 to June 30, 2022. Approved and registered by the Hsinchu Science Park Bureau on July 7, 2020.

2. Important resolutions by the Board for 2020 prior to the deadline of annual report publication

Date	Major resolutions
8-7 Board Meeting February 13, 2020	1. The Company's Business Plan 2020 2. Proposal for the capital expenditures for the Company in 2020 3. The Company's individual financial statements and consolidated financial statements, 2019 4. Passed the Accountant assessment of the independence and appropriateness 5. Amendment to the Rules of Shareholders' Meeting of the Company 6. By-election of the directors of the Company 7. Proposal to convene the Company's regular shareholders meeting 2020 8. Declaration of the Company's internal control system 2019 9. Proposal for execution of short-term loan agreements with financial institutions 10. Dispose of machinery and equipment for business use 11. The company's 2019 functional committee member compensation proposal 12. Submittal of the "Full Incentives for Managerial Officers 2019"
8-8 Board Meeting May 5, 2020	1. Submittal of the "Full Incentives for Managerial Officers 2019" 2. The Company's 2019 profit and loss supplement 3. Proposal of cash distribution from capital surplus 4. Share transfers to employee at an average price lower than the actual purchase price shall 5. Amendment to the Procedures for Engaging in Derivatives Trading of the Company 6. The Board of Directors nominates director candidates 7. New proposals at the 2020 Annual Meeting of Shareholders 8. Amendment to the Remuneration Committee Charter, Audit Committee Charter, Rules and Procedures for Meetings of the Board of Directors, Corporate Governance Principles and Corporate Social Responsibility Best Practice Principles 9. Proposed to sign a bank amount contract with a financial institution 10. Proposal for execution of short-term loan agreements with financial institutions 11. The company's 2019 manager full reward verification case
8-9 Board Meeting August 4, 2020	1. Dispose of machinery and equipment for business use 2. Amendment internal control system and internal audit implementation rules. 3. Change of company acting spokesperson, financial officer and corporate governance officer 4. Proposal for execution of short-term loan agreements with financial institution 5. Amendment to the company's full reward system for managers
8-10 Board Meeting October 29, 2020	1. The Company's audit plan of 2021 2. Formulate the Risk Management Policy and Procedures of the Company and Amendment to the Rules of Shareholders' Meeting, Rules and Procedures of the Board meeting, Rules Governing the Scope of Powers of Independent Directors, and Rules for Evaluating Board of Directors and Functional Committee Performance 3. Proposal for execution of short-term loan agreements with financial institutions 4. The Company's 2019 manager full reward verification case
8-11 Board Meeting February 4, 2021	1. The Company's Business Plan 2021 2. Proposal for the capital expenditures for the Company in 2021 3. The Compensation Committee is proposing employee and director bonus for the year of 2020 4. The Company's individual financial statements and consolidated financial statements, 2020 5. Passed the Accountant assessment of the independence and appropriateness 6. Amendment to part of the provisions of the “Articles of Incorporation” 7. Proposal to convene the Company’s regular shareholders meeting 2021 8. Declaration of the Company’s internal control system 2020 9. Set the record date for the Company's first Euroconvertible Bond in 2019 to issue new shares and capital increase in the fourth quarter of 2020 10. Proposal for execution of short-term loan agreements with financial institutions. 11. Proposal for the remuneration of the Company's Directors (including Independent Directors) 12. Proposal for the remuneration of the Company’s managers

3.4.12 Major Issues of Record or Written Statements Made by Any Directors or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Account Supervisor	Chin-Yuan Chang	2009/1/9	2020/4/21	Job adjustment
Finance Supervisor &Corporate Governance officer (Note)	Chien-Lang Lo	2014/5/7	2020/8/5	Job adjustment

Note: He was concurrently as the corporate governance officer on May 9, 2019, and was dismissed on August 5, 2020.

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Pricewaterhousecoopers	Sheng-Chung Hsu	Hua-Ling Liang	Jan. 1, 2020- Dec. 31, 2020	-

Unit: NT$ thousands

Fee Range / Fee Items		Audit Fee	Non-Audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001 ~ NT$4,000,000			
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000	**V**	**V**	**V**

1.Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audits Fees should disclosure the audit fee and non-audit fee amount and non-audit service content

Audit Fee: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human resource	Others	Subtotal		
Pricewaterhousecoopers	Sheng-Chung Hsu	12,206	—	—	—	17,266	29,472	2020/1/1-2020/12/31	Note
	Hua-Ling Liang								

Note: Transfer pricing, R & D credit, country report public expense, and expenses derived from Euroconvertible Bond

2.Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of the previous year: None

3.Audit fee reduced more than 10% year over year, required to disclose the reduced amount, proportion, and reason: None

3.5.2The professional fees for auditing services referred means the professional fees paid by the Company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

3.6 Replacement of CPA:

3.6.1 About predecessor CPA

Date of change	Feb. 13, 2020		
Reason for Replacement	Due to accounting firm's job rotation in accordance to relevant regulations, the CPA Wu Han-Chi & Liang, Hua-Ling replaced by Hsu, Sheng-Chung & Liang, Hua-Ling since Q1 2019.		
Descriptions whether the Company terminated or the CPA did not accept the appointment	Parties / Status	CPA	The Company
	Termination of appointment	—	—
	No longer accepted (continued) appointment	—	—
Other than unqualified issues in the audit reports within last two years	None		
Differences with the Company	Yes	—	Accounting principles or practices
		—	Disclosure of Financial Statements
		—	Audit scope or steps
		—	Others
	None	V	
	Descriptions		
Other Revealed Matters (Required to be disclosed by Accounting Standards Article 10 paragraph 6 section 1-4 to section 1-7)	None		

3.6.2 About the Successor CPA:

Accounting Firm	Pricewaterhousecoopers
Name of CPA	Sheng-Chung Hsu & Hua-Ling Liang
Date of appointment	Feb. 13, 2020
Consulting results regarding accounting methods or accounting principles to specific transactions or opinions on the financial statements before appointment	None
Successor CPA written disagreements to former CPA	None

3.6.3 Reply of the Previous Accountant: N/A

3.7 The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting

firm of its CPA or at an affiliated enterprise: None

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

3.8.1 Changes in Shareholding of Directors, Managers and Major Shareholders.

Unit: Per share

Title	Name (Note 1)	2020		As of Apr. 30, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman &CEO	Jin-Yang Hung	949,000	—	—	—
Director	Jyh-Chau Wang	500,000	—	—	—
Institutional Director	Hyield Venture Capital Co., Ltd	—	—	—	—
	Chu-Hsiang Yang (Note 2)	928,000	—	—	—
Institutional Director	Hyield Venture Capital Co., Ltd	—	—	—	—
	Chin-Lung Ting (Note 3)	750,000	—	(695,000)	—
Independent Director	Chi-Chia Hsieh	—	—	—	—
Independent Director	Zhen-Wei Wang	—	—	—	—
Independent Director	Stanley Yuk Lun Yim	—	—	—	—
Vice President	Jun-Yi Yu (Note 4)	342,000	—	—	—
Vice President	Yao-Tong Chen	185,000	—	—	—
Vice President	Hung-Wen Yang	401,000	—	—	—
Vice President	Chih-Ming Chen	352,000	—	(157,000)	—
Vice President	Yu Shui Kuo	336,367			
Associate Vice President	Ke-Yi Kao	235,000	—	—	—
Associate Vice President	Tai-Chi Pan	340,000	—	—	—
Associate Vice President	Kuo-Hsiung Kuo	324,000	—	—	—
Associate Vice President	Chung-Kuang Wei	98,000	—	—	—
Associate Vice President	Tien-Jen Lin	320,000	—	(19,000)	—
Associate Vice President	Qing-Hui Lin	111,000	—	(36,000)	—
Associate Vice President	Jing-Wun Huang	265,000	—	—	—
Associate Vice President	Jhih-Syuan Wang (Note 5)	—	—	36,000	—
Finance Supervisor	Jhih-Siou Liou (Note 6)	—	—	4,660	—
Accounting Supervisor	Kun Ma	—	—	22,521	—

Note 1: Refers to current managerial officers as of the printing date of the annual report
Note 2: President&COO
Note 3: Executive Deputy General Manager on Feb. 19, 2020
Note 4: Concurrently as Corporate Governance Officer on Aug. 5, 2020
Note 5: Appointed to office on Dec. 1, 2020 thus the change in equity in 2020 was not calculated.
Note 6: Appointed to office on Aug. 5, 2020 thus the change in equity in 2020 was not calculated.

3.8.2 Shares Trading with Related Parties：None

3.8.3 Shares Pledge with Related Parties：None

3.9 Relationship among the Top Ten Shareholders

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
New Labor Pension Fund	302,265,625	2.89%	—	—	—	—	N.A.	N.A.	—
Chimei Corporation	270,929,561	2.59%	—	—	—	—	N.A.	N.A.	—
Representative: Chun-Hua Hsu	—	—	—	—	—	—	N.A.	N.A.	—
Hyield Venture Capital Co., Ltd	176,311,219	1.68%	—	—	—	—	Hon Hai Precision Ind. Co., Ltd.	Subsidiary of Hon Hai Precision Ind. Co., Ltd.	—
							Foxconn Technology Co., Ltd.	Director of the Company	—
Representative: Te-Tsai Huang	212,619	—	—	—	—	—	N.A.	N.A.	—
Hon Hai Precision Ind. Co., Ltd.	147,965,363	1.41%	—	—	—	—	Hyield Venture Capital Co., Ltd	Subsidiary of Hon Hai Precision Ind. Co., Ltd.	—
Representative: Yang-Wei Liu	—	—	—	—	—	—	N.A.	N.A.	—
Terry Gou	138,536,000	1.32%	—	—	—	—	Hon Hai Precision Ind. Co., Ltd.	Director of the Company	—
Foxconn Technology Co., Ltd.	127,556,349	1.22%	—	—	—	—	Hyield Venture Capital Co., Ltd	Director of the Company	—
							Hon Hai Precision Ind. Co., Ltd.	Investing Company	—
							Hua Zhu Investment Co., Ltd	Parent Company	—
Representative: Guang-Yao Li	—	—	—	—	—	—	N.A.	N.A.	—
Hua Zhu Investment Co., Ltd	121,036,800	1.16%	—	—	—	—	Foxconn Technology Co., Ltd.	Subsidiary companies	—
Representative: Yuan-Wen, Lan	—	—	—	—	—	—	N.A.	N.A.	—
Labor Pension Fund	119,411,624	1.14%	—	—	—	—	N.A.	N.A.	—
UBS Europe SE	119,000,240	1.14%	—	—	—	—	N.A.	N.A.	—
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	118,813,372	1.14%	—	—	—	—	N.A.	N.A.	—

3.10 Ownership of Shares in Affiliated Enterprises

Unit: Shares:12/31/2020

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CarUX Holding Limited	—	—	125,231,749	100%	125,231,749	100%
CarUX Technology Pte. Ltd.	—	—	125,131,749	100%	125,131,749	100%
Double Star Inc.	—	—	10,000,000	63%	10,000,000	63%
InnoCare Optoelectronics Japan Co., Ltd.	—	—	30,010	100%	30,010	100%
InnoCare Optoelectronics USA, INC.	—	—	900,000	100%	900,000	100%
Innolux Europe B.V.	—	—	375,810	100%	375,810	100%
Innolux Holding Ltd.	180,568,185	100%	—	—	180,568,185	100%
Innolux Hong Kong Holding Limited	1,158,844,000	100%	—	—	1,158,844,000	100%
Innolux Hong Kong Limited	—	—	35,000,000	100%	35,000,000	100%
Innolux Japan Co., Ltd.	98	54%	82	46%	180	100%
Innolux Optoelectronics Hong Kong Holding Ltd.	—	—	162,897,802	100%	162,897,802	100%
Innolux Optoelectronics India Private Limited	—	—	162,897,802	100%	162,897,802	100%
Innolux Optoelectronics Malaysia SDN. BHD.	—	—	16,000,000	100%	16,000,000	100%
Innolux Optoelectronics Philippines CORP.	—	—	5,000,000	100%	5,000,000	100%
Innolux Singapore Holding Pte. Ltd.	25,400,000	100%	—	—	25,400,000	100%
Innolux Technology Germany GmbH	—	—	100,000	100%	100,000	100%
Innolux USA Inc.	—	—	12,842	100%	12,842	100%
Keyway Investment Management Limited	1,656,410	100%	—	—	1,656,410	100%
Lakers Trading Ltd.	—	—	1	100%	1	100%
Landmark International Ltd.	709,450,000	100%	—	—	709,450,000	100%
Leadtek Global Group Limited	50,000,000	100%	—	—	50,000,000	100%
Nets Trading Ltd.	—	—	900,001	100%	900,001	100%
Rockets Holding Ltd.	—	—	160,504,550	100%	160,504,550	100%
Stanford Developments Ltd.	—	—	164,000,000	100%	164,000,000	100%
Suns Holding Ltd.	—	—	18,177,052	100%	18,177,052	100%
Toppoly Optoelectronics (B.V.I.) Ltd.	146,847,000	100%	—	—	146,847,000	100%
Toppoly Optoelectronics (Cayman) Ltd.	—	—	146,817,000	100%	146,817,000	100%
Warriors Technology Investments Ltd.	—	—	18,177,052	100%	18,177,052	100%
Shanghai Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
Yuan Chi investment co., Ltd	—	100%	—	—	—	100%
Foshan Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
Foshan Innolux Logistics Ltd.	—	—	—	100%	—	100%
Nanjing Innolux Technology Ltd.	—	—	—	100%	—	100%
Nanjing Innolux Optoelectronics Ltd.	—	—	—	100%	—	100%
GIO(maanshan) Optoelectronics Corp.	—	—	—	63%	—	63%
GIO Optoelectronics Corp.	27,812,188	63%	408,643	1%	28,220,831	64%
Shenzhen PixinLED Technology Co.,Ltd.	—	—	—	100%	—	100%
InnoJoy Investment Corp.	167,405,392	100%	—	—	167,405,392	100%
Innocom Technology (Shenzhen) Co., LTD	—	—	—	100%	—	100%
CarUX Technology Inc.	—	—	140,000,000	100%	140,000,000	100%
Ningbo Innolux Electronics Ltd.	—	—	—	100%	—	100%
Ningbo Innolux Optoelectronics Co., LTD	—	—	—	100%	—	100%

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Ningbo Innolux Display LTD	—	—	—	100%	—	100%
InnoCare Optoelectronics Corporation	20,000,000	100%	—	100%	20,000,000	100%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

1. Type of Stock

Unit: Shares 4/26/2021

Share Type	Authorized Capital					Remarks
	Outstanding			Un-issued Shares	Total	
	Issued Shares	Unlisted	Total Shares			
Common Shares	10,470,901,683	—	10,470,901,683	1,529,098,317	12,000,000,000	

2. Issued Shares

Unit: Shares thousand; NT thousand

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2003.01	—	120,000	1,200,000	35,000	350,000	Created at inception	None	2003.01.14 Yuan-Shang-Zih No. 0920001669
2003.05	10	120,000	1,200,000	100,000	1,000,000	65 million shares from cash capital increase	None	2003.05.30 Yuan-Shang-Zih No. 0920013164
2003.10	10	1,000,000	10,000,000	300,000	3,000,000	200 million shares from cash capital increase	None	2003.11.07 Yuan-Shang-Zih No. 0920030835
2004.04	10	1,000,000	10,000,000	900,000	9,000,000	600 million shares from cash capital increase	None	2004.05.24 Yuan-Shang-Zih No. 0930013914
2004.09	12	2,500,000	25,000,000	1,500,000	15,000,000	600 million shares from cash capital increase	None	2004.10.26 Yuan-Shang-Zih No. 9300030355
2005.06	14	2,500,000	25,000,000	2,100,000	21,000,000	600 million shares from cash capital increase	None	2005.07.22 Yuan-Shang-Zih No. 0940019992
2006.01	—	2,500,000	25,000,000	2,106,624	21,066,240	6.624 million new shares issued upon the exercise of employee stock options	None	2006.02.13 Yuan-Shang-Zih No. 0950002674
2006.04	—	2,500,000	25,000,000	2,111,856	21,118,560	5.232 million new shares issued upon the exercise of employee stock options	None	2006.05.09 Yuan-Shang-Zih No. 0950011150
2006.09	—	2,500,000	25,000,000	2,112,129	21,121,290	273 thousand new shares issued upon the exercise of employee stock options	None	2006.10.16 Yuan-Shang-Zih No. 0950026853
2006.10	41	3,300,000	33,000,000	2,312,129	23,121,290	200 million shares from cash capital increase	None	2006.12.04 Yuan-Shang-Zih No. 0950032417
2007.01	—	3,300,000	33,000,000	2,326,056	23,260,560	13.927 million new shares issued upon the exercise of employee stock options	None	2007.02.09 Yuan-Shang-Zih No. 0960003715
2007.03	—	3,300,000	33,000,000	2,331,706	23,317,062	5.650 million shares from capital increase in connection with merger	None	2007.05.30 Yuan-Shang-Zih No. 0960014540
2007.04	—	3,300,000	33,000,000	2,331,761	23,317,612	55 thousand new shares issued upon the exercise of employee stock options	None	2007.05.31 Yuan-Shang-Zih No. 0960014605
2007.08	—	3,300,000	33,000,000	2,340,765	23,407,652	9.004 million new shares issued upon the exercise of employee stock options	None	2007.08.30 Yuan-Shang-Zih No. 0960023196
2007.09	—	3,300,000	33,000,000	2,442,155	24,421,550	101.390 million shares from capital increase through capitalization of retained earnings	None	2007.09.19 Yuan-Shang-Zih No. 0960025459
2007.10	—	3,300,000	33,000,000	2,442,372	24,423,720	217 thousand new shares issued upon the exercise of employee stock options	None	2007.10.29 Yuan-Shang-Zih No. 0960029080

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2007.11	146	3,300,000	33,000,000	2,742,372	27,423,720	300 million shares from cash capital increase to participate in the issuance of overseas depositary receipts	None	2007.12.10 Yuan-Shang-Zih No. 0960033616
2008.02	—	3,300,000	33,000,000	2,751,026	27,510,260	8.654 million new shares issued upon the exercise of employee stock options	None	2008.02.12 Yuan-Shang-Zih No. 0970003364
2008.05	—	3,300,000	33,000,000	2,757,583	27,575,830	6.557 million new shares issued upon the exercise of employee stock options	None	2008.05.14 Yuan-Shang-Zih No. 0970012623
2008.08	—	3,300,000	33,000,000	2,770,270	27,702,700	12.687 million new shares issued upon the exercise of employee stock options	None	2008.08.21 Yuan-Shang-Zih No. 0970023231
2008.09	—	4,500,000	45,000,000	3,112,297	31,122,970	342.027 million shares from capital increase through capitalization of retained earnings	None	2008.09.09 Yuan-Shang-Zih No. 0970025445
2008.11	—	4,500,000	45,000,000	3,113,147	31,131,470	850 thousand new shares issued upon the exercise of employee stock options	None	2008.11.18 Yuan-Shang-Zih No. 0970032346
2009.03	—	4,500,000	45,000,000	3,123,695	32,236,950	10.548 million new shares issued upon the exercise of employee stock options	None	2009.03.02 Yuan-Shang-Zih No. 0980005613
2009.05	—	4,500,000	45,000,000	3,128,546	31,285,460	4.851 million new shares issued upon the exercise of employee stock options	None	2009.05.18 Yuan-Shang-Zih No. 0980013470
2009.07	—	4,500,000	45,000,000	3,138,537	31,385,370	9.991 million new shares issued upon the exercise of employee stock options	None	2009.07.23 Yuan-Shang-Zih No. 0980020313
2009.09	—	4,500,000	45,000,000	3,243,122	32,431,222	104.585 million shares from capital increase through capitalization of retained earnings	None	2009.09.07 Yuan-Shang-Zih No. 0980024824
2009.11	—	4,500,000	45,000,000	3,244,596	32,445,960	1.474 million new shares issued upon the exercise of employee stock options	None	2009.11.19 Yuan-Shang-Zih No. 0980032198
2010.02	—	4,500,000	45,000,000	3,254,841	32,548,410	10.245 million new shares issued upon the exercise of employee stock options	None	2010.02.12 Yuan-Shang-Zih No. 0990004357
2010.03	—	10,500,000	105,000,000	8,032,930	80,329,300	4,778,089,000 common stocks from capital increase in connection with merger; private placement of 731.707 million preferred shares	None	2010.03.30 Yuan-Shang-Zih No. 0990008717
2010.04	—	10,500,000	105,000,000	8,040,837	80,408,370	7.907 million new shares issued upon the exercise of employee stock options	None	2010.04.29 Yuan-Shang-Zih No. 0990011506
2010.08	—	10,500,000	105,000,000	8,043,497	80,434,970	2.660 million new shares issued upon the exercise of employee stock options	None	2010.08.26 Yuan-Shang-Zih No. 0990025097
2010.11	—	10,500,000	105,000,000	7,311,789	73,117,890	Reduced capital by 731.707 million shares through private placement of preferred shares	None	2010.11.11 Yuan-Shang-Zih No. 0990033742
2011. 01	—	10,500,000	105,000,000	7,311,809	73,118,090	20 thousand new shares issued upon the exercise of employee stock options	None	2011.01.03 Yuan-Shang-Zih No. 1000000178
2011. 03	—	10,500,000	105,000,000	7,312,674	73,126,740	865 thousand new shares issued upon the exercise of employee stock options	None	2011.03.25 Yuan-Shang-Zih No. 1000007874
2011.05	—	10,500,000	105,000,000	7,312,804	73,128,040	130 thousand new shares issued upon the exercise of employee stock options	None	2011.05.04 Yuan-Shang-Zih No. 1000012352
2011.07	—	10,500,000	105,000,000	7,312,904	73,129,040	100 thousand new shares issued upon the exercise of employee stock options	None	2011.07.26 Yuan-Shang-Zih No. 1000021596
2011.11	—	10,500,000	105,000,000	7,312,970	73,129,708	66 thousand new shares issued upon the exercise of employee stock options	None	2011.11.28 Yuan-Shang-Zih No. 1000035175
2012.10	9	10,500,000	105,000,000	7,912,970	79,129,700	600 million shares from cash capital increase	None	2012.10.15 Yuan-Shang-Zih No. 1010031831
2013.02	12.98	10,500,000	105,000,000	9,037,970	90,379,700	1.125 billion shares from cash capital increase to participate in the issuance of overseas depositary receipts	None	2013.02.18 Yuan-Shang-Zih No. 1020005087

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2013.02	5/-	10,500,000	105,000,000	9,100,272	91,002,720	Issuance of 31,151,000 new shares with restricted employee rights at positive consideration Issuance of 31,151,000 new shares with restricted employee rights at nil consideration	None	2013.02.21 Yuan-Shang-Zih No. 1020005099
2013.04	5/-	10,500,000	105,000,000	9,101,960	91,019,600	Issuance of 844,000 new shares with restricted employee rights at positive consideration Issuance of 844,000 new shares with restricted employee rights at nil consideration	None	2013.04.16 Yuan-Shang-Zih No. 1020010954
2013.08	—	10,500,000	105,000,000	9,101,670	91,016,700	Capital reduced by 290,000 new shares with restricted employee rights	None	2013.08.23 Yuan-Shang-Zih No. 1020025484
2013.11	—	10,500,000	105,000,000	9,100,892	91,008,920	Capital reduced by 778,000 new shares with restricted employee rights	None	2013.11.27 Yuan-Shang-Zih No. 1020036156
2013.12	5/-	10,500,000	105,000,000	9,109,428	91,094,280	Issuance of 4,268,000 new shares with restricted employee rights at positive consideration Issuance of 4,268,000 new shares with restricted employee rights at nil consideration	None	2013.12.27 Yuan-Shang-Zih No. 1020040096
2014.04	—	10,500,000	105,000,000	9,106,457	91,064,570	Capital reduced by 2,970,000 new shares with restricted employee rights	None	2014.04.10 Zhu-Shang-Zih No.1030009955
2014.09	12.5	10,500,000	105,000,000	9,956,457	99,564,570	850 million shares from cash capital increase	None	2014.09.05 Zhu-Shang-Zih No.1030026932
2014.09	—	10,500,000	105,000,000	9,955,407	99,554,070	Capital reduced by 1,049,000 new shares with restricted employee rights	None	2014.09.05 Zhu-Shang-Zih No.1030026932
2014.11	—	10,500,000	105,000,000	9,954,536	99,545,360	Capital reduced by 871,000 new shares with restricted employee rights	None	2014.11.19 Zhu-Shang-Zih No.1030033761
2015.03	—	10,500,000	105,000,000	9,954,224	99,542,240	Capital reduced by 312,000 new shares with restricted employee rights	None	2015.03.17 Zhu-Shang-Zih No.1040007082
2015.05	—	10,500,000	105,000,000	9,953,797	99,537,970	Capital reduced by 417,000 new shares with restricted employee rights	None	2015.05.20 Zhu-Shang-Zih No.1040013755
2015.08	—	10,500,000	105,000,000	9,953,583	99,535,830	Capital reduced by 214,000 new shares with restricted employee rights	None	2015.08.19 Zhu-Shang-Zih No.1040023797
2015.11	—	10,500,000	105,000,000	9,953,237	99,532,370	Capital reduced by 345,000 new shares with restricted employee rights	None	2015.11.18 Zhu-Shang-Zih No.1040033254
2016.02	—	10,500,000	105,000,000	9,952,682	99,526,820	Capital reduced by 555,600 new shares with restricted employee rights	None	2016.02.26 Zhu-Shang-Zih No.1050004985
2016.05	—	10,500,000	105,000,000	9,952,351	99,523,510	Capital reduced by 330,000 new shares with restricted employee rights	None	2016.05.23 Zhu-Shang-Zih No.1050013777
2016.08	—	10,500,000	105,000,000	9,952,210	99,522,100	Capital reduced by 141,000 new shares with restricted employee rights	None	2016.08.16 Zhu-Shang-Zih No.1050022641
2016.11	—	10,500,000	105,000,000	9,952,149	99,521,490	Capital reduced by 62,000 new shares with restricted employee rights	None	2016.11.15 Zhu-Shang-Zih No.1050031553
2017.03	—	10,500,000	105,000,000	9,952,078	99,520,780	Capital reduced by 70,000 new shares with restricted employee rights	None	2017.03.03 Zhu-Shang-Zih No.1060005404
2017.05	—	10,500,000	105,000,000	9,952,072	99,520,720	Capital reduced by 6,000 new shares with restricted employee rights	None	2017.05.26 Zhu-Shang-Zih No.1060014186
2019.11	—	10,500,000	105,000,000	9,711,072	97,110,720	Treasury shares canceled 241,000 thousand shares	None	2019.11.19 Zhu-Shang-Zih No.1080033144
2021.03	—	12,000,000	120,000,000	9,940,433	99,404,330	Exchanges to new shares (229,361 thousand shares) from Euroconvertible Bond	None	2021.03.08 Zhu-Shang-Zih No.1100005722

3. Information for Shelf Registration: None

4.1.2 Status of Shareholders

As of 4/26/2021

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic natural Persons	Foreign Institutions & natural Persons	Total
Number of Shareholders	10	125	599	448,061	1,245	450,040
Shareholding (shares)	593,116,049	619,062,912	1,555,075,561	4,478,226,982	3,225,420,179	10,470,901,683
Percentage	5.66%	5.91%	14.85%	42.78%	30.80%	100.00%

4.1.3 Shareholding Distribution Status

1. Common Shares

As of 4/26/2021

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	76,901	22,929,055	0.22%
1,000 ~ 5,000	259,729	581,937,642	5.56%
5,001 ~ 10,000	53,375	433,109,519	4.14%
10,001 ~ 15,000	16,335	207,731,194	1.98%
15,001 ~ 20,000	12,681	238,580,963	2.28%
20,001 ~ 30,000	10,320	266,735,335	2.55%
30,001 ~ 50,000	8,607	352,702,848	3.37%
50,001 ~ 100,000	6,322	467,265,400	4.46%
100,001 ~ 200,000	2,876	413,830,488	3.95%
200,001 ~ 400,000	1,295	367,869,157	3.51%
400,001 ~ 600,000	421	207,577,878	1.98%
600,001 ~ 800,000	242	169,178,563	1.62%
800,001 ~ 1,000,000	153	141,654,276	1.35%
1,000,001 or over	783	6,599,799,365	63.03%
Total	450,040	10,470,901,683	100.00%

4.1.4 List of Major Shareholders

As of 4/26/2021

Shareholder's name	Shareholding	
	Shares	Percentage
New Labor Pension Fund	302,365,625	2.89%
Chimei Corporation	270,929,561	2.59%
Hyield Venture Capital Co., Ltd	176,311,219	1.68%
Hon Hai Precision Ind. Co., Ltd.	147,965,363	1.41%
Terry Guo	138,536,000	1.32%
Foxconn Technology Co., Ltd.	127,556,349	1.22%
Hua Zhu Investment Co., Ltd	121,036,800	1.16%
Labor Pension Fund	119,411,624	1.14%
UBS Europe SE	119,000,240	1.14%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	118,813,372	1.14%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$ thousand share

Item \ Year			2019	2020	As of 3/31/2021
Market Price per Share	Highest Market Price		10.60	15.95	21.95
	Lowest Market Price		5.76	4.85	12.45
	Average Market Price		8.19	8.66	15.97
Net Worth per Share	Before Distribution		24.08	23.88	25.21
	After Distribution		23.98	(Note)	—
Earnings per Share	Weighted Average Shares (thousand shares)		9,857,385	9,664,728	10,041,744
	Earnings Per Share(in dollars)		(1.77)	0.17	1.15
Dividends per Share	Cash Dividends		0.1	0.4 (Note)	N.A.
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Ratio		N.A.	50.94	13.89
	Price/Dividend Ratio		N.A.	21.65	N.A.
	Cash Dividend Yield Rate		N.A.	4.62%	N.A.

Note: 2020 earnings appropriation has already got approval from the Board of Directors, subject to shareholders' approval in Annual General Shareholders' Meeting.

4.1.6 Dividend Policy and Implementation Status

1.Dividend Policy

The annual net profits of final accounts of the Company shall make up for loss first, shall secondly appropriate 10% of profit as legal reserve (however, if legal reserve reaches the total capital amount shall not apply), to make an appropriation of another sum as special reserve or make an reversal of special reserve in accordance with laws and regulation, to distribute dividend for special/preferred shares, and to add into the profit not yet distributed before, the allocation proposal shall be prepared by the Board of Directors and be submitted to and resolved by the shareholders' meeting.

The Company shall set aside to special reserve, from prior period's undistributed earnings, an amount equal to net deductions from other equity." If the amount is not sufficient, the Company should further set aside from the current period's net profits plus other items to be included in the current period's undistributed earnings.

Depending on the Company's long-term financial planning, investment environment, industry competition, capital expenditure budget, funding requirements and protection of shareholders' equity, dividends should be paid at a rate of no less than 20% of the current year's distributable earnings; however, if the distributable earnings are less than 2% of the paid-in capital, the Company may resolve to transfer the entire amount to retained earnings without distribution. For earnings distribution, cash dividends are preferred but it may also be in the form of stock dividends, with no less than 50% of the earnings to be distributed with cash dividends. The aforementioned dividend distribution percentage may be adjusted based on financial, business and operating factors.

2.Proposed Distribution of Dividend

The Board of Directors of the Company has passed a proposal of distributing cash dividends, NT$ 3,141,270,505(NT$ 0.3 per share), to shareholders. In accordance with Article 241 of the Company Act, the

Company plans to allocate NT$ 1,047,090,168 of the additional paid-in capital in excess of the par value of the issued shares, and NT$0.1 of cash per share will be distributed according to the names of shareholders and their shareholdings recorded in the shareholders' register on the base date of distribution. The cash distribution will be NT$ 0.4 per share, pending the resolution of the 2021 general shareholders' meeting.

3. Significant changes of Dividend policy: None.

4.1.7 Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share:

Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

4.1.8 Compensation of Employees and Directors

1. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 21 of the Articles of Incorporation stipulates that: The distribution of employees' compensation shall not be lower than 5% of and the Directors’ compensation shall not be higher than 0.1% of the current year pre-tax income before deducting the distributable employees’ and Directors’ compensation of the Company. However, the Company's accumulated losses shall have been covered.

The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash and have the profit distributable as Directors’ compensation in the form of cash; and in addition, thereto a report of such distribution shall be submitted to the shareholders' meeting.

The target to be distributed employees’ compensation in the form of shares or cash may include employees of subsidiary companies who conform to certain criteria. Relevant regulations shall be authorized to be prescribed by the Board of Directors.

2.The basis for estimating the amount of employee, Directors, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The Company has an amount equivalent to a certain percentage of the current net earnings (net income before tax before deducting the remuneration to employees and the remuneration to Directors) minus the accumulated losses estimated and appropriated as remuneration to employees and remuneration to Directors, which will be reported as operating cost or operating expense. The remuneration to employees paid with stock are with the number of shares calculated in accordance with the closing price of common stock in the day prior to the resolution reached by the Board of Directors, and the Company will no longer take account of ex-right and ex-dividend. If there is any change in the estimated stock share to be distributed after the publication of the financial report in the following year, it is to be treated as changes in accounting estimates and with the effect of such change recognized in the profit and loss of the following year.

3. Distribution of Compensation of Employees, Directors and Supervisors for 2020 Approved in the Board of Directors Meeting

(1) The amount of any employee compensation distributed in cash or stocks and compensation for Directors and Supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be

disclosed：

The Board of Directors of the Company has approved remuneration to employee in cash, NT$ 139,348,956, and remuneration to Directors in cash, NT$ 2,143,830 on Feb. 4, 2021.

If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed：None.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation：

The Company has not had stock shares distributed as remuneration to employees in the current year; therefore, it is not applicable.

4. Information of 2020 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, Directors, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.：

There is no remuneration distribution to employee and Directors in 2020.

4.1.9 Buyback of Treasury Stock

There is no share buy-back status in most recent year and as of the annual report printed.

4.2 Bonds

4.2.1 Corporate Bonds:

Corporate Bond Type	First issue of overseas unsecured convertible bonds of 2019
Issue date	January 22, 2020
Denomination	USD$200,000 or its integral multiple
Issuing and transaction location	Singapore Stock Exchange
Issue price	The bond is issued at full face value
Total price	USD$300,000,000
Coupon rate	Coupon rate: 0%
Tenor	5 years Maturity: January 22, 2025
Guarantee agency	None
Consignee	BNY Mellon
Underwriting institution	UBS AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited
Certified lawyer	Baker Mckenzie Yu-Jie, Shiau Attorney-at-Law
CPA	PwC Taiwan Wu, Han-Chi, CPA
Repayment method	Unless previously early redeemed, repurchased and cancelled or converted by the Bondholders, the Bonds will be redeemed at their principal amount with a yield calculated at the rate of 0% per annum on the Maturity Date.
Outstanding principal	USD$ 31,000,000
Terms of redemption or advance repayment	(1)The Issuer may, at its option, redeem the Bonds, in whole or in part, at an amount equal to the principal amount of the Bonds plus a tentative yield of 0% per annum (the “Early Redemption Amount”) if at any time after three years of the Issue Date, the closing price (converted into US dollars by using the prevailing exchange rate) for 20 consecutive trading days (in the event of ex-rights or ex-dividends, the closing price on each applicable trading days the period from the ex-rights or ex-dividends trading day to the ex-rights or ex-dividends record date, as the case may be, shall be adjusted to the price taking into account of impact of the ex-rights or ex-dividends) of the Issuer’s common shares on the Taiwan Stock Exchange (“TWSE”) is at least 130% of the Early Redemption Amount (as defined

		above) multiplied by the Conversion Price (converted into US dollar using the Fixed Exchange Rate on the pricing date) divided by the principal amount of the Bonds; or (2)The Issuer may, at its option, redeem the Bonds, in whole but not in part, at the Early Redemption Amount if more than 90% of the Bonds have been previously redeemed, repurchased and cancelled or converted; or (3)The Issuer may, at its option, redeem the Bonds, in whole but not in part, at the Early Redemption Amount if there is any change in ROC taxation resulting in increase of tax obligation or the necessity to pay additional interest expense or an increase of additional costs to the Issuer, Bondholders may elect not to have their Bonds redeemed but with no entitlement to any additional amount or reimbursement of additional tax.
Restrictive clause		None
name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of ordinary shares securities	USD$ 269,000,000
	Issuance and conversion method	Please refer to MOPS-various exclusive sections-bond section
Issuance and conversion, issuing condition dilution, and impact on existing shareholders' equity		If the bond is fully converted, the maximum dilution ratio of the original shareholders' equity is about 10.35%, but there is no significant dilution that affects the shareholders' equity. It will increase equity fund, decline debt ratio, and strengthen financial structure. Thus, it will be more beneficial to the Company's future operation and development.
Transfer agent		None

4.2.2 Convertible Bonds:

Corporate bond type		First issue of overseas unsecured convertible bonds of 2019	
Item \ Year		2020	As of the printing date of this annual report
Market price of the convertible bond	Highest	US$ 149.30	US$ 307.75
	Lowest	US$ 80.00	US$ 129.00
	Average	US$ 99.58	US$ 174.82
Convertible Price		NT$10.59	
Issue date and conversion price at issuance		Issue Date: 2020/1/22 Conversion price at issuance: NT$10.72/share	
Conversion methods		Issuing of new stocks	

4.2.3 Exchangeable Bonds: None.

4.2.4 Shelf Registration for Issuing Bonds: None.

4.2.5 Corporate Bond with Warrants: None.

4.3 Status of preferred shares: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years.

V. Operational Highlights

5.1Business Activities

5.1.1Business Scope

A.Main areas of business operations

The combined operating revenue of the Company is derived from TFT-LCD Flat Panel Displays and its main commodities include large-sized and small-to-medium-sized TFT-LCD related products. Large-sized products are generally applied to Liquid Crystal Displays, BillBoards, Desktop Monitors, and notebooks, and industrial control. Small-to-medium-sized products are used to manufacture tablet computers, portable audio players, GPS for automobiles, aviation, smart home and mobile phones, wearable devices and other applications, while various types of touch-control panels could be selected. Besides, for the purpose of special usage, the Company also provides products used for medical, military, educational purposes, and electronic paper application. Given that the business of the Company covers the entire world and the size mix of panels is complete, the Company is a comprehensive LCD provider.

B.Revenue distribution

Unit: NT$ thousand

Major Divisions	Total Sales in Year 2020	(%) of total sales
TFT-LCD	269,911,051	100%
Total	269,911,051	100%

C.Main products

The Company’s main products are TFT-LCD panels and touch-control modules and TV machine OEM. The products lines cover small, medium, and large sized panels mainly for a wide range of applications, such as LCD televisions, desktop monitors, notebook computers, tablets, mobile phones, portable audio players, wearable devices, automotive displays, medical, X-Ray, industrial, aeronautic, and educational products. The whole machine OEM uses the LCD TV as the main axis to assist the TV brand’s OEM manufacturing and realize the Company’s vision from the panel to the whole machine.

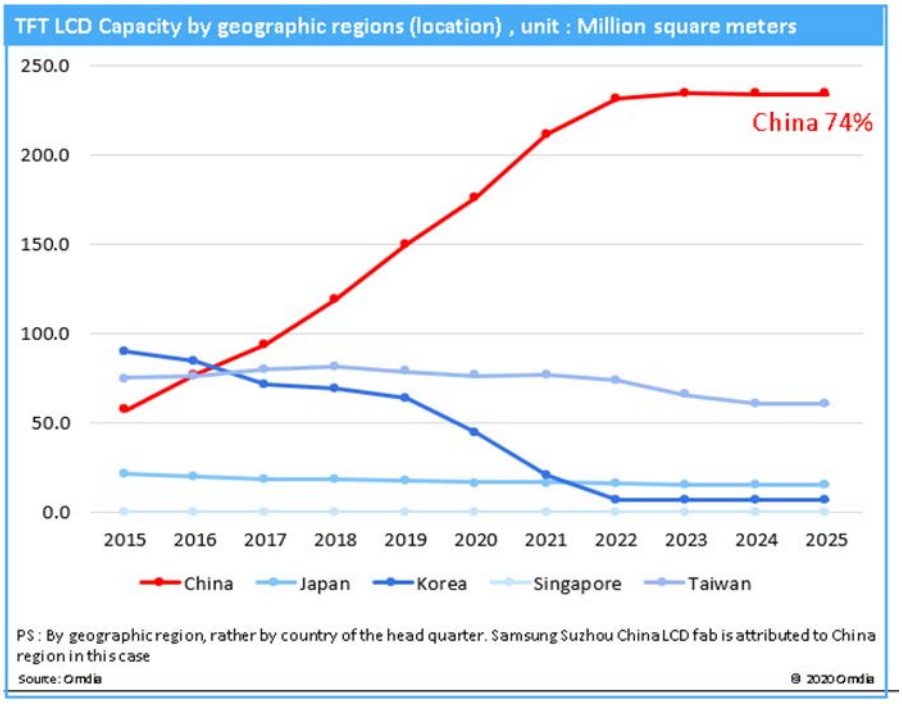
D.New products development

New products the company plans to develop are derived from flat panel displays with high technology extensions. For large size applications, the Company will continue to improve on enlargement, high resolution, high color saturation, high contrast, narrow bezel, high refresh rate, low blue light, and power saving; for small and medium size applications, the Company will develop products with high pixel, shaped cut, and integrated touch technology panels. The Company will continue to develop consumer electronics products such as smart home applications, electronic labels, and wearable devices, as well as special applications such as large public displays, next-generation automotive displays, medical displays, X-Rays, and LCD antennas.

5.1.2 Industry Overview

1. Current status and development of the industry

Due to the excellent product characteristics, competitive costs, and constantly differentiated and refined products, TFT-LCD has become the mainstream of all kinds of displays, with the expansion of size and applications, making the demand for panels is increasing year by year. In recent years, China-based factories have been expanding their production capacity due to massive subsidies from the Chinese government. According to Omdia's data, TFT-LCD production capacity in China has surpassed that of Korea and Taiwan since 2017, and continued to climb until 2022, before slowing down.



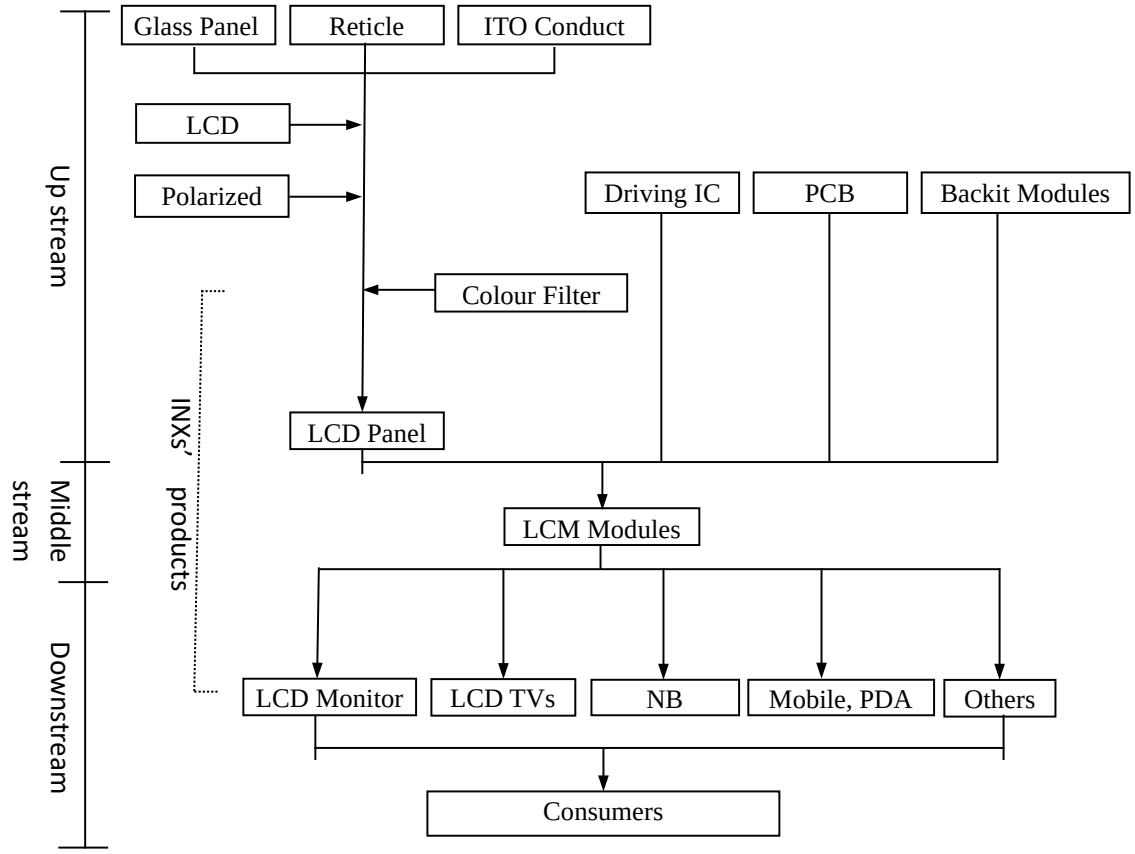
Source: Omdia Research

With the continuous increase in production capacity of China-based factories, the panel industry then entered the price competition, making the panel prices have been falling since 2018, so that Korean factories can not afford to bear losses. From 2019 onwards, gradually reduce production and plans to withdraw from the LCD market, so that by the end of 2019, the overall industry supply and demand was in a tight situation. In 2020, in response to the epidemic, many countries adopted measures such as home office, remote education, and emergency city lockdown, which led to a significant growth in demand for monitors, and the undersupply also led to a strong rebound in panel prices. Covid-19 is driving the change of consumers' usage habits and pull up the demand of normal end demands, which will drive the panel industry to a healthy cycle.

After the gradual slowdown in capacity expansion, and with the trend of size enlargement and application expansion, the supply and demand of the panel industry will show a balanced or even slightly tight situation in the long run. In the spirit of sustainable development, the Company continues to refine our technology and promote digital transformation in order to maintain our leading position in the industry.

2. Association of upstream, mid-stream, and downstream industries

The Company is an IDM product manufacturer which covers the upstream TFT-LCD Panel production and the downstream System Assembly, the association diagram of upstream, mid-stream and downstream industries which the Company belongs to are shown below:



3. Development trend of products

TFT-LCD has a low energy consumption rate, small size, low weight, and low radiation features. With years of active investment and research and development by manufacturers in China, Korea, and Taiwan, the development of production technology has become more mature and diversified. At present, TFT-LCD is widely used in various display devices and related derivative products; among them, flat panel TVs, desktop monitors, notebooks and tablet PCs are still the most widely used. The future trends of each of these products are described below:

(i) Mobile Computers (Notebooks & Tablets)

In recent years, the market has become saturated and stable after the rapid growth of mobile computer sales due to affordable price and improved computing performance, so brands and panel makers have started to develop differentiated products to drive consumer desire. Manufacturers continue to segment the market by considering the needs of users with different requirements for business, mobility, word processing, education market, professional (gaming, design workers) and audio-visual performance. The LCD panels on board are differentiated by size, resolution, wide viewing angle, and color saturation.

Among the mobile computers, the smaller ones are tablets. The main market is for consumers who are more concerned about personalized mobile devices, work wear, and audio-visual entertainment needs. They emphasize the characteristics of small size, strong endurance, light and thin, easy to carry, etc., and continue to move toward the demand for display panels with high display quality, lightness and thinness, high screen-to-body ratio, low energy consumption and wide viewing angles is developing.

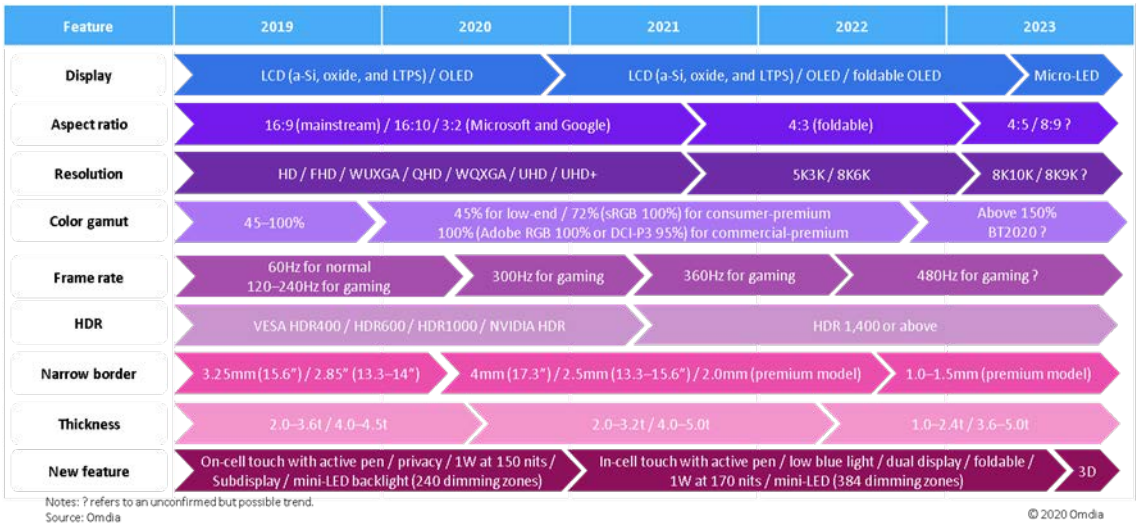
Nearly years high end tablets not only have improved computational efficiency and completeness of software function, in the same time there has been emphasized multi-tasking and stability. The demand of high end tablets has increased significantly due to large size with high resolution, narrow border, wide viewing angle, high color saturation, stylus pen products continuing to be released..

For many computer users, the high stability, high processing performance, high storage capacity and

the use of a keyboard as an input device make traditional notebooks a stable market. In response to the rise of tablet PCs, PC manufacturers are actively introducing new concepts in notebook design, such as detachable laptops that can switch between tablet and notebook modes of use at any time, gaming laptops with high performance, high refresh rate, fast response time and high color saturation, anti-snooping laptops that focus on business secrets, laptops that can be unfolded at a 360-degree angle, and dual-screen laptops with a main screen and touchpad screen to drive growth in different markets.

For the low-end education and business markets, the mainstream specifications for notebooks are thin and light, with low power consumption and touch functionality as the main demands, while the size is 11.6 inches for the education market and 13.3 inches and 14 inches for business. For the mid-to-high-end business market and mainstream consumer market, 13.3" to 16" products are the mainstream, with FHD resolution and wide viewing angle, and narrow bezel design to reduce the size of the whole machine for easy portability. For the high-end market that emphasizes functionality such as design creation and gaming needs, larger 15" to 17" panels with high refresh rate, fast response time, high color gamut and above QHD resolution are available to differentiate the market needs.

In terms of panel specifications, the thin and narrow bezel design has become a must for notebook panels to match the trend of slim and stylish designs. Aspect ratio 16:9 is still the most mainstream product, while the penetration rate of IPS wide viewing angle is increasing year by year, so far more than one half of the products have wide viewing angle specifications, narrow bezel is the fastest growing trend and will become the standard specification for notebook panels in recent years. In addition, there are notebook panels with 16:10 or 3:2 aspect ratios, which are mainly designed for high-end models. In addition, high refresh rate notebook panels are mainly for the gaming market, with 120Hz and 144Hz as the mainstream specifications. The future will be towards 240Hz or 360Hz with HDR1000 or more for high-end models, and the development of privacy panels to protect trade secrets is the answer to the market for high-end models; there has always the demand for endurance for notebooks, and the continuous reduction of panel power consumption has become one of the key development points, and in the future there is a demand for mini LED backplanes to improve resolution and enhance contrast. Laptop panels are an application with higher technology contents, and in the future, specifications will become more diversified to meet different market needs and drive consumers' willingness to replace their laptops.



Source: Omdia Research

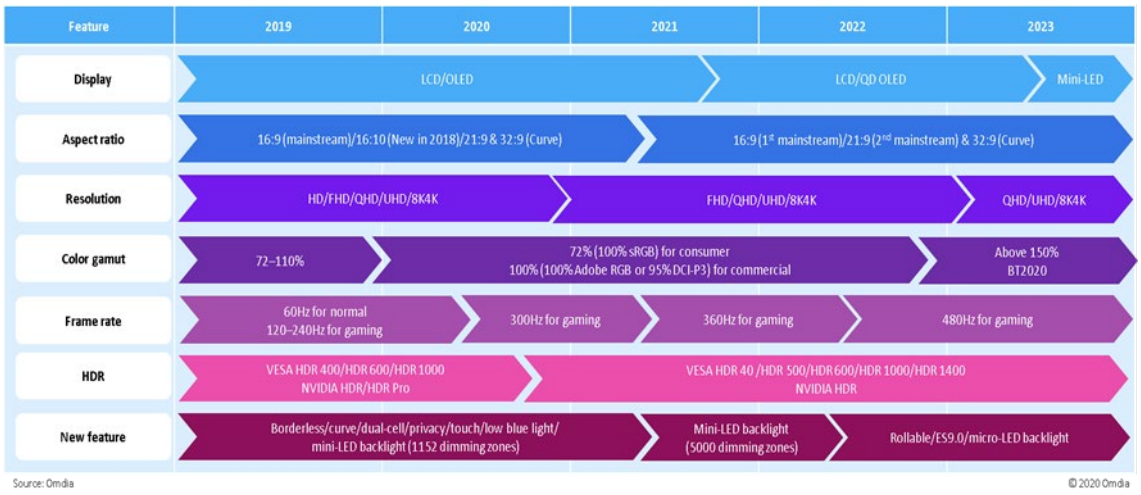
(ii) LCD Monitor

LCD monitors mainly go with desktops; two mainstream markets are office use and personal video and audio entertainment use. Office use LCD monitors are generally sold by brand manufacturers with the host machine; product specifications are relatively simple with moderate cost and small size to meet the budgets of enterprises and government agencies. In terms of personal video and entertainment products, as consumers focus on video and audio usage, the size has been increasing recently, and products equipped with wide viewing angle and borderless technology have become the standard specification. At the same time, consumer demand for high-definition products is expected to rise, and the market for QHD and UHD high resolution products is expected to continue to expand and gradually become the mainstream of the high-end market.

About size, due to an increase in the manufacturing efficiency and efficiency of product design structure, the price of TFT-LCD products is dropping and accelerating market demand for a transfer to the bigger size. Office use products have gradually shifted from 18.5”, 19.5”, and 21.5” models to 23.8” models. The average size of personal audio-video entertainment products has also gradually increased, with 23.8," 27," 32" and 34" increasing in proportion, and large desktop monitors with curved specifications are becoming popular. In addition, the 21:9 and 32:9 aspect ratios of ultra-wide screens with curved design and dual-window multiplexing can improve productivity in the commercial market and enhance the visual enjoyment in the consumer market, promoting the high-end market to large-scale development.

Except for standard LCD monitors, All-In-One (AIO) which is an integrated design of the desktop host and monitor. Because of advantages in functionality saving space, the product is winning customers. As the Windows 10 operating system penetration rate increases, it accompanies the All-in-One product with touch function and accessories design adding greater entertainment function. It also shows a new appearance for the market of LCD monitors.

With the rise of the digital gaming market in recent years, e-sports has officially become one of the international sports events. Compared to mature desktop monitors, the average replacement cycle for gamers is only 2-3 years, and the specifications and prices of e-sports monitors are higher than those of products in general demand, making computer brands to actively deploy. Currently, gaming monitors are 27" and above, with curved surfaces and 144Hz refresh rates as the mainstream, and in the future, they are moving towards 240Hz or 360Hz and above. In addition, for people who use computers for a long time, low blue light protection function has been developed to prevent the damage of blue light to users' eyes, and the emerging specifications in the future also focus on the development of mini LED, Privacy, Megazone and other technologies to layer the market demand.



Source: Omdia Research

(iii) LCD TV

In recent years, LCD TVs fast popularization due to each manufacturer developing G8.5 and G10.5 capacity, goes with the improvement of each phase of production technology. It not only has become customers' first choice when buying a new TV, but also has stimulated the traditional TV refresh cycle.

Meanwhile, when the market is warming up and products becomes popular. Innolux is the pioneer of providing differentiated large size models (especially 50-inch, 58-inch and 65-inch, 75-inch, 85-inch, 100-inch, 120-inch), dedicated to effectively improving the technology of each product to significantly increase the panel's added value, gain customers' brand recognition, and market segmentation, and increase the market share of large sizes. At the same time, we provide the services of the whole machine, so that the panel manufacturing can be assembled in one machine, providing one-stop overall service.

With the trend of high-resolution mobile display devices, consumers are meeting the demand for high-definition TVs. In the second half of 2017, 4K2K ultra-high resolution products were launched, which is the fastest manufacturer and the highest market share in the industry. The Company is leading the industry to promote ultra-high resolution 8K4K (7680x 4320) with high color saturation (NTSC >100%) panel, has been promoted to customers in 2020 is expected to grab the market in the 2021. In terms of technology, the Company proposed in the 4K2K LCD TV module in 2018 that the Mega-Zone achieves pixel-level regional dimming control with dual panels, which enhances the display quality of the dark state and deep black performance to improve the visibility of the screen. With the development of 8K high-definition transmission protocol, 5G signal transmission standard, high-efficiency video coding and multimedia transmission interface specifications, the penetration rate of 8K4K image specifications will continue to increase in 2020. Various manufacturers have successively launched 8K4K-level photographic equipment, and cooperated with audio and video media to launch 8K movies and broadcast programs. The subsequent 8K4K has become a must-have specification for large-size TVs, and with the new transmission specifications of 5G, it will create 8K+5G future life.

On the design of panel appearance, the company provides ultra-narrow frames (<5mm) and ultra-thin design (thickness <4mm) using on products over 40-inch, integrate paint design on appearance to make client rapid input and mass production. End customers not only enjoy the real 4K image, also provide the real high quality of excellent vision and sensual experience. Innolux provide client and customer comprehensive and high competitive TV panel by innovation continually, and continue to lead the market trend and become lead firm of the industry.

The Company is constantly developing new and improved TV products. In recent years, we have developed new models using technologies such as Kirameki, naked eye 3D, VRR (60Hz~240Hz), and rollable TVs using AM miniLED, all of which are industry leaders. With the spirit of continuous innovation and digital transformation, the Company is seeking for new changes in the TV panel industry

and creating the expectation of sustainable development.

(iv) Medium and small size panel

Since panel makers started mass production of cell phone panels in G6+ generation, the competition in the small and medium-sized panel industry is not only price competition, but also the market demand for higher resolution, higher quality panels and full-screen, customized designs, making it necessary for small and medium-sized panel makers to refine their product technologies, specifications and integration with other applications. In addition to the wide viewing angle technology that has become the standard for cell phone panels, with the increasing size of cell phone screens, manufacturers continue to launch high-resolution products and further promote thinner, narrower bezel and more power-efficient product specifications. At the same time, we are optimizing our competitiveness with embedded integrated touch technology, providing customers with high performance, extremely thin and light, and integrated touch and LCD module services to enhance product design flexibility and time-to-market advantages. With the rapid penetration of full-screen cell phones, the Company is also rapidly adjusting its production lines and specifications, developing and producing a large number of competitive full-screen products to capture the market, shaped cutting and integrating touch technologies, introducing advanced technologies such as multi-touch, tactile feedback and underwater touch, and continuing to refine cell phone panel applications. In addition to this, the Company has been expanding into applications such as game consoles, wearable devices and smart living homes, developing ultra-high resolution smart watch panels, VR glasses, smart mirrors and other products. We are also actively investing in the research and development of next-generation panel technologies such as Mini-LED and flexible panels to develop more niche and high value-added products in addition to price competition, hoping to widen the gap with our competitors with technology and achieve sustainable operation in the industry.

4. Competition in the market

With the integration and merger of China-based manufacturers and the gradual withdrawal of Korean manufacturers from the TFT-LCD market, Taiwanese manufacturers' market share of large-size shipping area has remained stable at around 22% to 25% with the leading technology, perfect supply chain integration and high production efficiency, and the main players are Innolux and AUO. Japan manufacturers' market share decrease gradually due to higher production cost, decreased in new factory investment plan, plant shutdowns, transfer to niche markets like high end mobile display, automotive display panels, and ultra-big TV market.

Due to the government's high-tech policy, the support of the vast domestic market, and the high subsidies from the central and local governments, mainland panel makers have been investing heavily. In recent years, BOE, ChinaStar, HKC, CHOT, and CEC have taken advantage of government resources to enter into the production of G8.5, G8.6, and G10.5 generations, making the competition in the panel industry increasingly fierce. As a result, many panel makers with poor business performance are planning to merge, and the expansion of large-generation production capacity of mainland makers is still in progress, which is expected to slow down after 2022. In 2019, competition in the industry intensified, leading to the gradual withdrawal of South Korean manufacturers from TFT-LCD production, and the current number of countries involved in TFT-LCD production is China, Taiwan, South Korea, and Japan in order of output.

5.1.3 Research and Development

1. Technical Level and Research Development

We keep helping clients to intensify product competitiveness, fit market demand, and be friendly to the environment as our main objective of display technique development. About the development, it mainly includes environment protection materials, electronic saving and low power consumption, large-sized and high pixel, high chroma, thin, narrow frame, high dynamic displays, touch, wide viewing angle, curve and all-around system services integration. We already have obtained remarkable achievements. These results of technical development are applying to TV, desktop monitor, Notebook, Tablet, Cell Phone, Medical, Industrial Display and automobile. Moreover, the integrated development on the touch components and panels of more advanced techniques and portable and wearable product applications are the key points of our future product design and development.

2. Facts of research & development:

With incessant efforts, the Company has insistently invested significant human resources, resources and funds in research & development to continually upgrade the quality of products, technology & know-how of new manufacturing process and application for new products. The Company would like to depict performance in research & development through three aspects below:

(1) In the aspect of upgrade of product quality:

Including the technology & know-how for broad visual angle, high solution, low energy consumption, thin thickness, high hue, Frame Rate, high dynamic range, narrow frames, new touch panel and soft display manufacture process

(2) New material technical process:

Including Oxide, LTPS, Mini LED, Mirco LED, In-Cell Touch Technique, Copper Manufacture Procedure, COA (Color Filter on Array), Photo-Alignment, Horizontal Electronic Field High Transparency and High Contract Positive Magnetic Susceptibility, Reducing Mask and Automotive wide temperature range display material technique, material development and production process for curved touch control display.

(3) In the aspect of new product application:

The up-to-date technology & know-how developed by the Company have been put into volume production one after another and applied onto a good number of products, including notably general cell phones, cameras, MPD, electronic paper, tablets, notebooks, desk monitors, AIO, television, medical treatment services, vehicular carriage, aerospace, industrial control, smart home and touch panel and the like, in the dimensions ranging from 1.36” to 120” TFT-LCD products. In the days and years ahead, we will continually invest in the research & development oriented human resources and fund to develop more and more TFT-LCD display and monitor products of added dimensions, application ranges, thinner, more environmental protection friendly and high efficiency to live up to the future trends in application and satisfy customers in varied ranges.

3. The consolidated research & development costs invested in the latest year as of the Annual Report date.

Unit: NT$ thousand

Item	2020	March 31,2021
R & D expense	12,149,513	3,525,088
Net Revenue	269,911,051	83,838,696
Percentage of revenue	4.50%	4.20%

4. Successful development technical or product

The Company’s develop technical and products for each direction are listed below.

(1) TV:

A. The Company has mass produced 23.6-inch/40-inch/50-inch/58-inch/65-inch the best cutting efficiency size, we creating market differentiation and improve add-value of product.

B. Introduce 4Kx2K ultra high definition and high resolution TV display, the product line is complete, product size from 40-inch to 100-inch, providing higher quality TV image and better product competitiveness, lead 4K TV industry going to fast development and trend.

C. Introduce new size 75-inch/85-inch/100-inch/120-inch TV display, overall arrangement in big size application, creating more differentiation product than competitors.

D. Develop high chroma technique, increasing to over 130% sRGB colour range and without increase energy consumption, not only increase the performance of display, but also make customers feeling more about the value-added of big size TV product. It has successfully developed a high-efficiency

BT.2020 90% technology without Cd / Pb and other heavy metal materials, which can reduce the image distortion, caused by the adjustment of color and faithfully present all real-world images.

E. Develop new MEMC improvement technique, apparent improving dynamic quality and integrate IC, increase dynamic picture quality and integrated technique.

F. Develop and mass produce a series of over 40-inch thin TV model (<4mm), providing artistic and fashion appearance model to clients.

G. Develop 0.5mm thin glass and apply to TV display, reduce glass usage and cost. Whole series big size TV import and mass production successfully.

H. Develop narrow border model (<5MM) successfully, and provide customers with beautiful and stylish modular design.

I. Develop Inno Module model, combine narrow frames and front and back appearance, provide clients high competitive module and reduce assembled time and cost. In 2020, our production lines for all sorts of panels were complete and comprehensive and were in an excellent position to enable customers to enjoy the excitements of one-stop shopping.

J. Mass producer of 65-inch/75-inch large 8K4K (7680X4320) panels with the highest resolution in the world, in order to show the next generation of ultra-high-resolution picture quality, make the picture more natural, so that end consumers can enjoy large-size high-resolution TV panel products with high-fidelity picture quality.

(2) LCD Monitor:

A. Launch whole series wide viewing angle VA/AAS bezel-less desktop monitor panels, and launched 28" and 32" 4K2K monitor panels. with high brightness, high contrast, high saturation, not only increase product quality and value, but also provide client the best choice of high end monitor LCD panel.

B. Develop several model of globally new Inno-touch monitor and AIO personal computer, by integrate touch as multi-function use can reduce module thickness to become light, increase touch functional can close to end customers' need.

C. In response to the demand of the gaming market, develop high refresh rate LCD monitors, introducing 27," 28" and 31.5" panels with 144Hz and 23.8" panels with 240Hz refresh rate, and improving the LCD response time to provide customers with the best visual experience during gaming.

D. Expect to continue to invest in development in 2021, and expect to launch differentiated products such as 21.5" adjustable anti-snooping display panels, 27" IGZO screens, 34" curved screens, and 32" Mini LEDs, in order to maintain the Company's leading position in desktop displays with these high-end products, and to increase profitability and improve overall revenue.

(3) Notebook:

A. Launch a full range of thin and light notebook panels with 2.0mm thickness for notebook sizes (11.6"/12.5"/13.3"/14"/14.5"/15.6"/16.1"/17.3") and differentiated with FHD, AAS wide viewing angle, narrow bezel, low power consumption and high color gamut specifications to provide a comprehensive solution for notebooks. Solution

B. Interface technical of Notebook panel is totally from LVDS to eDP. It can connect to high resolution trend, also can save space to help thinner design of the system and lower the energy consumption.

C. Develop TOD technical on notebook panel, through touch integration, notebook not only can be thinner but also can reduce produce process of the module and simplify the complexity of new product.

D. Introduced 14.5" and 16" with 16:10 aspect ratio, realizing the design trend of high screen-to-body ratio, and continuously reducing the frame design to expand the user's field of vision.

E. Develop 15.6," 16.1," 17.3" with 144Hz and 15.6" with 165Hz high speed response, low blue light, no color shift gaming panel, using the patented LED chip design, effectively reduce 70% of blue light energy, the product through the TUV Germany Rhein low blue light certification, can relieve eye fatigue and provide more comfortable enjoyment for long-time gamers.

F. Developed dual 13.3" and 14" privacy panel, which does not affect the brightness and chroma of the panel under better concealment effect, and is adopted by high-end commercial laptops of first-line pen power plants.

G. In 2021, we will continue to invest in development and expect to launch new products such as LTPS, Oxide Polar black, and Mini LED to take notebook panels to a higher level of development.

(4) Small/Medium:

A. Develop a smart phone panel, which resolution can reach above 400ppi, in high yield and stable processes. The product successfully built advantage.

B. Develop LTPS QHD and a-si FHD 0.6mm panels with bezels smaller than 0.45mm to reduce panel module size and effectively increase screen-to-body ratio to meet the demand of smartphone and tablet users for narrow bezels. We have successfully developed a full-screen bezel-less 6" wide color gamut touch panel with precise control of the plastic frame, cutting accuracy and exterior glass design to make the module surface aggressively small and ultra-slim to push the specification advantage to the extreme and increase the freedom of portable mobile device display appearance design.

C. Adopt less power hungry design to lower power consumption by the panel drive chip. Optimize panel production process and material with high color saturation, high transmittance color photo-resistor to ramp up panel efficiency and product competitiveness with balanced low power consumption and production costs.

D. Launching a series of Touch On Display (TOD) integrated touch control devices. Coupled with modular and compact design and good optical performance, this company is providing customers with comprehensive and full range touch control integration services with vertically integrated LCD panels and touch control production.

E. Deep Sensing Technology using a special electrode design to simulate 3D multi-finger-touch tactile sensation, combined with dual advantages of capacitive touch and resistance, highly identification surpasses 2D touch.

F. UTID technology (Underwater Touch in Display) solves the problem of touch failure in water and enhances the application of more scenes for users.

G. Expect to continue to invest in research and development in 2021, and will continue to introduce curved, fast-response high refresh rate gaming and integrated under-screen fingerprint recognition panel specifications to enable small and medium size across more consumer electronics applications.

(5) Special Application

Release 21.3-inch to 30-inch (AAS; 5/6/10/14 MegaPixel) medical LCD display, with high resolution, high brightness, high contrast, adopt 10 bits drive new technology and high efficiency LED BL, to make the image more delicate and medical personnel can make more precise judgment.

Large-size public displays span from 21" to 100" applications, present natural high color gamut and give consideration to both indoor and outdoor environment. It also provides a very narrow frame design so that PID can be seamlessly spliced into different scenes to meet screen requirements. 85-inch UHD also support portrait. Also first release horizon LCD display (bar type) presents multiple sizes can fit for multiple environments. In 2018, a 100-inch high-luminosity quantum dot public display module was introduced to replace the traditional four-panel 55-inch panel mosaic to present the visual effects of a large-scale video wall, which is widely used in large-size billBoards.

5.1.4 Long- and Short-Term Business Development Plans

1. Short-term plan

- TV: Increase shipments of large size (82" or more), 8K, VRR, and other products with high gold content
- Desktop monitor: production size moved to 23.8" mainstream specifications, and continue to increase shipments of large size (27" or more), QD/UD, increase the percentage of IPS, borderless, high refresh rate (Gaming) shipments, and mass production of new product specifications such as IPS Curve, Privacy, four-sided borderless, PM Mini LED backplane.
- Mobile computer: Increase the shipment of IPS, HFR (Gaming) and TOD panels, continue to reduce panel power consumption to achieve more power-saving performance, enlarge the shipment performance of Privacy, and develop high-end products such as LTPS, Oxide, Polar black, and Mini LED.

- Cell phone: Continuously improve cell phone panel pixel and color performance, integrate Touch module and narrow bezel, and improve cell phone panel refresh and response time performance.
- In-vehicle: Deepen the cooperation model with car manufacturers to improve the shipment of integrated modules for automotive applications, expand the capacity of automotive applications and continue to penetrate into larger sizes, and reduce the cost of automotive panels by standardizing production.
- Special applications: Provide full size and develop more life scenes applications, cooperate with government, medical institutions or private enterprises to provide a full range of solutions.

2. Long-term development

Continue to improve our advanced flat panel display technologies, enhance our manufacturing capabilities, and optimize our existing production capacity so that our panels can move toward larger sizes (120" and above), higher resolutions (16K), thinner and lighter, high color gamut, ultra-high contrast ratio, extreme borderlessness, and low power consumption. In response to the rise of new display technologies, we continue to invest in the development of integrated applications such as free-form and curved panel applications, Polar Black technology, under-screen fingerprint recognition, and naked-eye 3D technology, and we continue to aim to reduce the spacing of active Mini LEDs and to develop mass production of large-size AM Mini LEDs and Rollable panels, ultimately moving toward Micro LEDs.

In the future, we will focus on cross-domain expansion to non-display field, and move towards Panel Semiconductor by developing new forms of business such as X-ray sensors, fingerprint recognition sensors, flat panel antennas, and fan-out panel packaging (FOPLP). We expect to be able to make the most suitable strategic deployment in new application areas at an early stage. Meanwhile, we shall further stress value chain integration and development of products high added values, to make our products more competitive in both pricing and specifications to provide customers with added solutions and services.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main products selling area

Unit；NT$ thousand；%

Area		Amount of Sales 2020	%
Domestic sales		52,975,743	19.63%
Foreign sales	China	44,620,274	16.53%
	Hong Kong	88,286,363	32.71%
	Europe	9,939,661	3.68%
	America	31,387,034	11.63%
	Other Area	42,701,976	15.82%
	Total amount of F/S	216,935,308	80.37%
Total		269,911,051	100.00%

2. Market Share

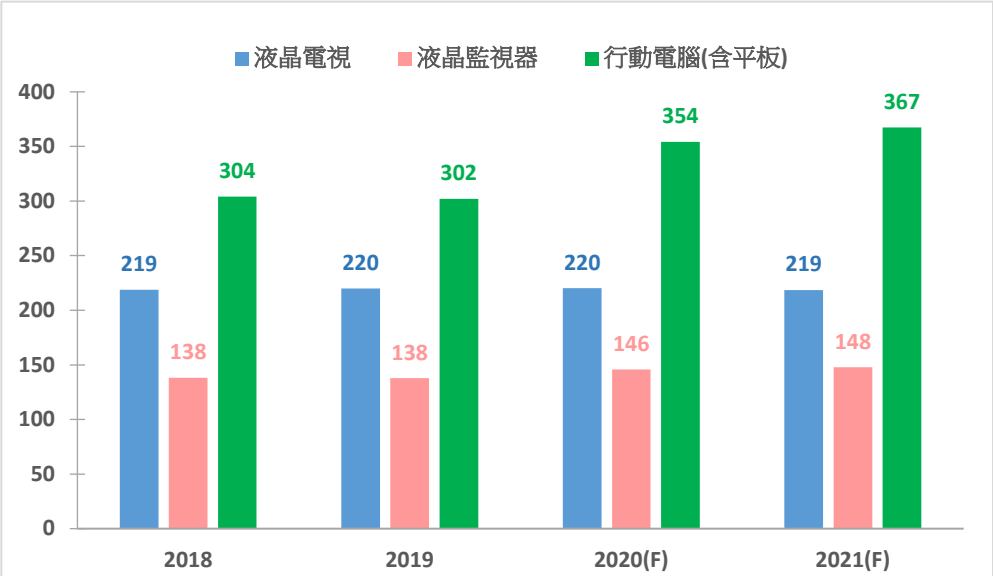
According to the statistic of Omedia research report, until 2020, the market of the Company’s big size panel shipment is11.6%, which is the fourth-largest supplier of the world LCD panel industry. Based on application product shipment quantity distinction, global market share of LCD display panel is 12.7%, maintains world’s fourth ranking performance; global market share of LCD TV panel is 15.4%, world’s second ranking performance; global market share of notebook (not including tablet) is 21.5% which is the world’s third ranking, global market share of tablet is 15.6% which is the world’s second ranking, global market share of car panel (not including navigator) is 10.4% which is the world’s fifth ranking. The market share of smart phone is 7.5%. Overall, under the tough economic environment, strong market competition; the Company still maintains nice performance in the market.

3. The supply and demand situation and growth of the future market

Due to the outstanding product feature and the continuous improvement of cost and quality, TFT-LCD

already become the mainstream of flat display and the sales will keep growth as the improvement of application level and penetration. According to the estimation of IHS, the global shipment of big size (over 9-inch) TFT-LCD panel will be 878 million chips in 2020.

If we analyze the market size of several major applications, in the LCD TV, with the continuous opening of large generation production capacity, in order to stabilize prices to maintain profitability, the market has changed from the growth of volume to the enlargement of the average size. Under the influence of the epidemic in 2020, the home economy in Europe and the United States has been on the rise, making the end demand strong and supply shortage. The global LCD TV shipments are estimated to be 220 million units in 2020, with the average size of LCD TVs growing by 1.6"~1.7," and with the rising panel prices, the end-user prices are also expected to increase, which is expected to affect the stabilization of end-user demand. In 2021, it is estimated that the scale will remain flat at 219 million units; In terms of LCD monitors, due to the strong demand for home office and e-sports, the shipment of LCD monitors (Korean AIOs) is estimated to be 146 million units in 2020, and is expected to continue to grow to 148 million units in 2021. The penetration rate of high-value products will gradually increase as user demand for large-size and high-resolution products rises. In terms of mobile computers (notebooks and tablets), the mobile computer market is optimistic in 2021 as the demand for home office and distance learning continues to be strong, with 354 million units shipped in 2020, representing a growth rate of 17.3%. The end-user market is expected to continue to boom in 2021, and the overall shipment is expected to grow to 367 million units.



Source: Omdia

According to Omdia's estimation, the global shipment of small and medium-sized panels is estimated to be 2.53 billion units (including OLEDs) in 2020, down 7.4% from 2019, and 2.5 billion units in 2021, down 1.2% from 2020. As for cell phones, according to Omdia's estimation, the number of cell phones shipped in 2020 was 1.77 billion, and the market is expected to slow down to 1.72 billion in 2021, mainly due to the impact of the epidemic and the reduction of consumers' time to go out, which will delay the demand for cell phone replacement and slow down the 5G deployment. Therefore, it is estimated that the 5G replacement wave will be delayed until 2022. In addition, the more serious impact is on the in-vehicle display. According to Omdia's estimation, the shipment of automotive panels was 140 million units in 2020, a decline of 13.6% from 2019, and the automotive market is expected to stabilize to 155 million units in 2021. As in the first half of 2020, we were mainly affected by the epidemic, disruption of raw material supply and plant closures, and the global economic turmoil also affected end-use sales. However, as the penetration rate of automotive displays continues to rise and environmental protection policies are being promoted, the future market for automotive displays is still promising. With the gradual opening of the 5G communication network in the future, it is expected that the Internet lifestyle will drive the demand for panels for smartphones, automotive panels and wearable devices, becoming the main growth driver for small and medium-sized panels.

Source: Omdia

Faced with a strong rebound in demand in 2020, the changing lifestyle is expected to bring a wave of activity to the display market, which has been slowing down for years, and boost end-user demand. However, the high degree of uncertainty in the global economy, the expansion of production and competition with new players, and the rapid changes in new technologies and product applications have caused the TFT-LCD industry to face a rapid cycle of high volatility in supply and demand. In the face of the mounting cutthroat competition, we shall launch overall upgrade of all substances to deal with all sorts of challenges.

- We shall boost marketing by means of improved operating efficiency, refined management, product development, customer services, technical research & development and such efforts. In turn, we will be able to intensify gross profit in sales, cost control to further intensify competitive edge.
- Continued investment in research & development to suffice technical talents, improve product design and application of materials. We shall proceed with research & development of advanced and improved manufacturing process and new generation monitor technology & know-how so as to create added lead in know-how of products and production costs.
- With wholehearted efforts, we shall deploy integrated product lines for new products. The products manufactured by our Company cover televisions, computers, mobile devices, vehicles- and medical treatment oriented products. We provide varied modes to sell panels, whole machines, touch integration and the like. Through such efforts, we virtually bring down the potential risks of fluctuation with single products.
- Strengthen supply chain integration, work closely with suppliers to ensure stable supply of raw materials and cost competitiveness, and deepen the deployment of strategic customers and develop market niche products to boost end-user demand and increase our responsiveness to market changes, while enhancing customer satisfaction and consolidating market share.
- Promote flexible decision making and digital transformation by digitally integrating production information, monitoring risk factors in real time and responding to them early, and combine big data and AI analysis to improve employee value, predict future uncertainty and explore potential opportunities to achieve the goal of sustainable development.

4. Niches in competition

(1) Business model:

The company takes TFT-LCD as its business, and uses the business policy of " leadership with know-how and quality, boosting of production efficiency and quality " to provide products with stable output, high quality and competitive prices, and is committed to expanding new application, stepping into new fields, in this fiercely competitive industry gradually break new ground.

(2) Vertical and horizontal integration:

In an attempt to strengthen integration of our products, boost cost competitiveness, demonstrate maximum possible benefit in supply chain management, other than production of TFT-LCD panel modules, we dominate a significant ratio of design and manufacture of parts & components, including LED panels, color filter, light guide plate, Backlight Module, PCBA and such structure pieces which could be manufactured inside our home factory or overseas subsidiaries. Meanwhile development automatic product line to decrease the human resource and upgrade the product design. Thanks to such high level vertical integration, we have taken advantage in lowering costs, prompt response to assure top level quality.

(3) Product development:

The Company mainly produces TFT-LCD panel modules, and the bulk products cover large-size panels for LCD TVs, desktop monitors and notebooks, as well as small and medium-size mature display products for cell phones, tablet PCs and car monitors. We have advanced and complete production technologies for narrow-bezel, wide-angle and high-resolution panels to meet customers' needs for various products, and are committed to expanding applications in new fields. We are committed to expanding into new applications. Continue to develop new products, use new manufacturing processes, materials and technologies to develop differentiated high-value products and accelerate mass production in order to capture market share and increase profitability.

(4) Our advantages in costs:

Through our experienced technical and development team, we are constantly refining our processes to reduce production costs and improve yields, and integrating with suppliers to develop high performance, high quality raw materials to improve product performance and competitiveness; together with our aforementioned business model and the advantages of self-production and automated technology, we have a cost advantage over our competitors in production.

(5) Concerted performance (synergy) in marketing:

The Company has diversified products and good marketing channels, which can be quickly integrated with world-class customers. For world-class brand manufacturers, the Company also provides rapid design, timely delivery, machine manufacturing and global services. Integrated services give customers the convenience of a one-time purchase.

(6) Customization capability:

With our excellent R&D and design capabilities, modular manufacturing, excellent supply chain management, vertical integration management and manufacturing cost advantages, we provide customized products to our customers.

Looking back at 2020, our product line for each application panel size has become more complete, and the design and specifications are in line with the future trend, and we are able to provide customers with services from panel manufacturing to complete product OEM, and have the ability to develop new and high-end products. We have further improved our production capacity and scale, design capability, quality and yield, supply and logistic management and financial stability. In the future, we will continue to develop more diversified and cross-domain products, and continue to improve quality and expand into higher-end and multi-markets in order to maintain our market share.

5. Dvantage and disadvantage of long term development and reaction strategy

(1) Advantage:

A. New application products continue to drive growth

With the rapid development of wireless communication technology and cloud computing, displays have become the core interface for content transmission and operation in the era of information explosion, and the new "5G+8K" lifestyle has become a strategic focus for manufacturers. The content of information becomes more sophisticated, which pushes up the consumer demand for size, resolution,

wide viewing angle, and lightweight and thin design, and drives higher the unit value of TFT-LCD products, bringing new applications and demand growth.

With the increase of Internet audio and video services and the diversification of content to provide more real-time and high-definition programs, smart TV is a signal that cloud applications will start to enter the TV field rapidly. The Company will continue to launch more large 8K4K LCD TVs in 2021 to provide consumers with a higher level of visual enjoyment. With the construction and popularization of 5G devices, 8K4K ultra-high resolution will be a must-have specification in mid-range and high-end products in the future, which will definitely trigger a wave of replacement. In terms of LCD monitors, the business market maintains steady replacement demand, while the emerging e-sports market, high-definition, curved and bezel-less elements are driving LCD monitors to larger sizes and driving consumers to upgrade their existing products. In terms of laptops, the business market will continue to see steady replacement demand, while the education market will continue to grow and the consumer market will continue to be driven by operating system upgrades, performance upgrades, energy efficiency, gaming, narrow bezels and privacy PCs.

For tablet PCs, the Company is targeting the education market to increase the shipment of medium-sized panels. In terms of small and medium-sized panels, as the price of mid- to low-end smartphones decreases, they will become the preferred choice in emerging regions for the mobile device consumer market. With the popularization of 5G wireless communication and the promotion of bendable screens, smartphone shipments will continue to rise in the future.

B. Stable customer base

Our major customers are global consumer electronics companies, which have important stands in TV, PC and mobile communication, and special application industry globally. Moreover, the display market will still be dominated by the international big companies in the future, and develops with the direction of “the big ones get bigger”. Therefore, in the Company’s perspective, we not only can grow our revenue rapidly, the market share of us is also expected to keep increasing with our major customer basis. Under the synthesized effects of the three factors: rise of production line completion, stronger customer base, keep developing new customers in newly developed market on the current customer basis.

C. Globalized strategy and vertical integration in depth

Innolux has been recognized as the best LCD panel supplier in all aspects, and had been setting up global strategy aggressively. Now we have production base of post-production LCD panel module and monitor in Shenzhen、Ningbo, Foshan, Nanjing in China, and we also have delivery hubs in major cities in Asia, Europe, and America, so that we can achieve “deliver just in time” object and strengthen the long term cooperative relationship with customers.

Innolux has been working in TFT-LCD industry for a long time, and we have the professional knowledge and managing capability in LCD panel, module, mechanism, and optical components’ R&D, production, and selling. We are more cost-effective and have better capability to service the customers timely than unitary TFT-LCD factory.

D. Growth in size, withdrawal of Korean manufacturers, slowdown in production expansion of China-based factories, long-term supply and demand balance

The cost of Korean panel makers is relatively high, so from a long term perspective, these less profitable players will gradually withdraw from TFT-LCD, and the production capacity of Chinese manufacturers will not be further expanded after 2022. With the increase of large size of each application, the demand for glass area will continue to grow, so the supply and demand of TFT-LCD will be balanced in the long run.

(2) Disadvantage and Reaction Strategy

A. Fierce competition in the industry and rising uncertainty in supply and demand

As panel prices continue to rise, the prices of end products are also poised to increase, which in turn affects consumers' willingness to purchase, causing a slight correction in the originally high demand. In addition, the rising panel prices have increased the profitability of the industry, so that the industry, which was originally expected to withdraw or slow down the expansion of production, has become more aggressive and swarmed to the development of high-profit applications, making the supply and demand for each application more volatile and uncertain.

The Company follows the market trend and keeps an eye on the market risks, and uses a flexible manufacturing approach to respond to market changes and develop mainstream and profitable models to ensure product sales and stable profits, and prioritizes production capacity to high-profit products in order to maximize revenue and ensure the Company's goal of sustainable operation.

B. The complicated technology and patent portfolio

The design and production of TFT-LCD requires highly professional technology. All companies that in this industry are aggressively making their portfolio in technology and patent applications. To avoid the violation of patent rights in the production process, Innolux has been developing our own patents and technology since the beginning of this company. We recruited domestic and international talents to join the research team, and evaluate the feasibility of getting the usage rights of some key technology from foreign companies at the same time. Regarding to intellectual poverty, we not only aggressively conduct R&D and the patent applications, we also keep strong legal support team to protect our intellectual poverty.

C. The global economy affects consumption and supply

The International Monetary Fund (IMF) predicts that the global economy will remain highly uncertain, with economic indicators showing recession in all countries affected by the epidemic. Although a significant rebound is expected in 2021, the economy is still weak and the developed countries are heavily providing subsidies and easing monetary policies to stimulate strong demand in 2020. It is worth observing whether consumers are still willing to buy when subsidies are no longer available in the future, or whether the future stable demand will be moved earlier. In addition, the U.S.-China trade war originated in 2019 and extended to 2020 has become a technology war, and the future relationship between the U.S. and China will deepen uncertainty, and will also expand to other countries with cooperation or boycott between countries, leading to increased economic volatility, and will also have a considerable impact on consumer demand.

Although there are many uncertainties, the development of the needs of emerging markets is still the goal of consumer electronics brands. We provide products that are competitive for its cost and specifications by constantly optimizing our products and technology. We also help our supply chain partners to develop business to diminish the operation disadvantages of fluctuation of external demands.

D. Raw material shortage on the supply side

TFT-LCD has a mature manufacturing process, and as production capacity continues to expand with the expansion of display applications, the supply chain has not yet kept up with related materials production capacity, making the shortage of raw materials to limit the supply of display panels, but also the possibility of price increases at the end, which in turn affects the consumer's willingness to buy.

Taiwan has a well-established supply chain cluster, and we have been strengthening our supply chain partnerships and developing our own raw material production capability, so that our material supply is relatively stable and competitive in terms of cost.

5.2.2 Production Procedures of Main Products

1. Major Products and Their Main Uses

(1) TFT-LCD

TFT-LCD products are display application for digital information delivery, its wide application including

information display equipment for business and industry, computer, telecom related and consumer electronics display equipment, etc. As the development of integrated digital age 3C market, the main area of TFT-LCD product are:

- Information Technology, IT: such as Desktop monitor and Notebooks, etc.
- LCD TV
- Communications and Consumer Electronics: Tablet, smart phone, smart watch, digital camera, digital video, digital photo frame, portable game console, smart home and other high mobility and portable electronic products application.
- Automotive Display: Gauge board, dashboard, digital reflecting mirror, head-up display, audiovisual TV at back seat, and navigator.
- X-Ray
- Special application: medical display, Avionics display, automotive display and other touch panel application.

(2) Touch Panel business

- Small size (below 7 inch) products mainly apply to smart phone, multimedia player, GPS and digital camera, etc.
- Medium size (7 inch to 19 inch) products mainly apply to tablet, eBook, Ultrabook, notebook, etc.
- Large size (above 20 inch) products mainly apply to All-in-one computer (AIO), Public Information Display, etc.

(3) Other emerging businesses

- Manufacture of LCD TVs
- LC Meta-Surface Antenna

2. Major Products and Their Production Processes

(1) Three Steps in the TFT-LCD Production Process:

- In the Array or TFT Process mentioned in the preceding paragraph, injection and washing for glass baseplates→gate metallic layer sputtered coating→gatemetallic layer lithography→Semiconductor layer continued filming→Semiconductor lithography→source/drain film-forming→source/ drain medal sputtered coating→source/drain lithography→Protection film manufacturing process→Protection film lithography→ Transparent conducting layer sputtered coating transparent conducting layer lithography→thin film transistor electrical analysis→thin film transistor completion.
- Cell or LCD Process: The Cell process fits the Array substrate to a color-filter substrate; liquid crystal is then inserted between the two substrate layers.
- Module Assembly or LCM Process: taking the panel from the Cell process and bonding the assembling backlights, IC and frame and other components to make the Open cell, module and system and other types based on clients' demand.

(2) Touch Panel business

- Sensor Process: Use Semiconductor Litho process to put sensor on the glass.
- Lamination & FPC Bonding Process:
- Touch panel modules and LCD/LCM assembling process (TP & LCD/LCM Direct Bonding & Advanced Direct Bonding): A.TP & LCM: taking LCM as the baseplates to be attached to the touch panel modules for overall combination. B.TP & LCD: LCD (Open-Cell) as the baseplates to be attached to the touch panel modules for overall combination before being assembled with Back Light modules(BLM).

5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Driver IC	Supplier U, Supplier O, Supplier L, Supplier K	Good
Glass	Supplier P, Supplier S, Supplier M	Good
Polarizer	Supplier W, Supplier T, Supplier R, Supplier V	Good

5.2.4 Major Suppliers and Clients

A. Major Clients Information for the Last Two Calendar Years

Unit：NT$ thousand

Item	2019				2020			
	Company name	Amount	Percent	Relation with Issuer	Company name	Amount	Percent	Relation with Issuer
1	Others	251,971,209	100.00	None	Others	269,911,051	100.00	None
	Net Total Supplies	251,971,209	100.00	—	Net Total Supplies	269,911,051	100.00	—

B. Major Suppliers Information for the Last Two Calendar Years

Unit：NT$ thousand

Item	2019				2020			
	Company name	Amount	Percent	Relation with Issuer	Company name	Amount	Percent	Relation with Issuer
1	Others	164,989,673	100.00	None	Others	162,158,768	100.00	None
	Net Sales	164,989,673	100.00	—	Net Sales	162,158,768	100.00	—

5.2.5 Production in the Last Two Years

Unit: NT$ thousand

Year / Output / Major Products	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
TFT-LCD	359,500	318,582	249,450,000	419,160	389,600	246,800,000
Total	359,500	318,582	249,450,000	419,160	389,600	246,800,000

5.2.6 Shipments and Sales over the Last Two Years

Unit：NT$ Thousand

Year / Shipments & Sales / Major Product	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
TFT-LCD	72,147	50,060,495	307,291	201,910,714	71,507	52,975,743	353,893	216,935,308
Total	72,147	50,060,495	307,291	201,910,714	71,507	52,975,743	353,893	216,935,308

5.3 Human Resources

Year		2019	2020	As of 4/30/2021
Number of Employees	Manager	2,779	2,769	2,803
	IDL	12,520	12,387	12,327
	DL	40,558	42,981	41,118
	Total	55,857	58,047	56,248
Average Age		32.81	33.07	33.41
Average Years of Service		6.01	6.17	6.43
Education	Ph. D.	0.14%	0.13%	0.14%
	Masters	10.05%	9.70%	10.07%
	Bachelor’s Degree	68.57%	68.60%	68.69%
	Senior High School	15.27%	14.94%	14.87%
	Below Senior High School	5.97%	6.62%	6.22%
	Total	100%	100%	100%

5.4 Environmental Protection Expenditures

5.4.1 Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided：

1. Losses due to environmental pollution:

The organic sludge produced by the Company's Zhunan plant was entrusted to a waste disposal vendor, However, because the disposal vendor was in the trial operation stage and did not include the Company's Zhunan plant in the approved trial operation plan, causing the Miaoli County Government to impose a total fine of NT$24,000 for violating Article 28, Paragraph 1 of the “Waste Disposal Act”. The Company has not intentionally violated the law and has not caused any environmental pollution by reporting to the Environmental Protection Administration's Waste Reporting and Management Information System and obtaining proper disposal documents from the disposal vendor.

2. Future countermeasures and state of improvement.

In response to the above-mentioned sanction by the competent authorities, a review meeting was held and internal management regulations were revised to include the validation of disposal vendors in the trial operation stage and to follow the regulations of the "Permit Management Regulations for Public or Private Waste Clearance and Disposal Organizations" when signing the waste removal and treatment contracts.

5.5 Labor Relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee welfare and the situation of implementation

Employee compensation and benefits

Our Employees have the labor insurance, citizen health insurance, and group insurance from the very first day of employment. Besides the basic monthly salary, we also provide Luna Festival, dragon boat festival and New Year bonus, and proper performance bonus according to the Company operation revenue； Employee compensation is issued after the Board of Directors ’ resolution and the shareholders’ meeting report. According to the position, performance and contribution, the amount of each employee is determined to motivate and retain outstanding talents

We have employee restaurants in all factories, and provide meal substitutes according to the Company rules. At the same time provide convenience stores, cafes, banks, insurance, tourism, telecommunications and other diverse assistance. And with the concepts of energy, comfortable life, and happiness, we built the employee’s center, which provides leisure and exercise functions to release our employees’ mental and physical stress. In addition, the Company holds regular health examinations, and provides consultation for anomaly and health guidance after the health examination and cancer screening to assist employees in early detection of diseases and early treatment. In addition, professional doctors are stationed in the plant to provide various health promotion and psychological consultation programs to care for the physical and mental well-being of employees. We provide multiple self-financed health check-up programs for family members, which not only takes care of employees, but also extends to family members, providing more comprehensive life care.

Adhering to the concept of sharing business results with employees, the Employee Welfare Committee is established in accordance with the law to be responsible for the planning and implementation of various welfare programs; including community activities, sports seasons, movie banquets, family days, departmental dedication activities, seminars by talents from different industries, discounts for special stores, etc., and subsidies for festivals, weddings and funerals, emergency relief, etc. To encourage colleagues to cultivate personal interests outside of work and promote work-life balance, through the establishment of diversified clubs, and the three key points of enrichment, activism, and life-oriented management of the clubs, to meet the different preferences of employees through cross-field, same-interest activities and exchanges, and create both Energetic, creative, caring and joyful workplace environment.

Employee development

We have a plan with a sound certification development framework, and continuously integrate and improve the system, process and development blueprint of human resources development, with professional positions and management functions certification as the cornerstone; vertically promote quality, green products, legal affairs and other related courses, and then horizontally promote the training of various departments, and also develop business ability training in line with the Company's operation strategy. By providing internal/external training channels, such as language learning, E-book learning, on-the-job training, headquarters training, overseas experience and other talent development networks, we aim to enhance the professional knowledge and skills of our employees and to achieve the Company's goals and organizational needs through a variety of educational and training channels.

We offer a series of courses on digital transformation, plan learning blueprints according to different targets, and cooperate with academic institutions to introduce online and physical learning courses to enhance the intelligent thinking of personnel, so as to achieve the development purpose of "technology research and development as the root, intelligent manufacturing as the foundation" and together with the strategic direction of "value-added, diversification, platform" and "digital transformation," the Company continues to increase and strengthen the overall competitiveness of its staff and organization in response to the AI wave of Industry 4.0 and the integration of cross-domain management talents and technology leaders.

2. Retirement structure and the situation of implement

At present, there are two kinds of labor pension systems, the old system of retired labor implemented by the accordance with the Labor Standards Law and the new system of retired labor implemented by the accordance with the Labor Pension Regulations.

(1) The company formulates employee retirement measures in accordance with the Labor Standards Act, and

establishes a Labor Retirement Reserve Supervision Committee.

(2) We hire actuary to evaluate our employees' retirement preparation fund and issue the evaluation report according to the IAS19R financial principles.

(3) We transfer 2%~15% monthly salary to retirement preparation every month.

(4) Since July 1, 2005, the new labor pension system has been implemented in accordance with the law. If a labor retirement pension system is established, the Company will allocate 6% of the insured salary to the employee 's personal account established by the Labor Insurance Bureau on a monthly basis. Protect employees' rights.

3. Labor and management agreement

The Company has always attached importance to labor relations and emphasized labor harmony. In order to maintain two-way communication, management and exchange, the company has been promoting zero distance communication with employees through various measures.

(1) Quarterly labor-management meetings and employee welfare meetings are held, in which representatives from the employer side, composed of senior management, and representatives from the labor side, selected by employees, to communicate directly face-to-face and exchange opinions with each other in an open manner.

(2) Regularly hold relevant communication meetings, as if the appointment is an obligation, inviting all management and employees to attend, so that employees can understand the current status of the Company's operations and align with the future goals and development.

(3) Construct a comprehensive communication channel, announcing important information and issues through e-newsletters, boot and screen protection screens, the WingHR app, iMedia video channels, and the iFB company Facebook; provide all-day communication platforms such as employee care hotline, employee care mailbox, WingHR-I want to complain and suggestion boxes in each factory. Employees can choose to escalate their problems by name or anonymously, so that their problems can be solved immediately and effectively, and a harmonious labor relations can be established.

4. Working environment and individual safety protection

(1) Safety and Health organization and operation

The Company has set up a central coordinating unit for the development of environmental safety and health management systems and establishing risk management strategies under the President's office, and a dedicated unit for comprehensive environmental and sanitation management affairs in the factory. Each factory invites the top executives of the plant area, various authorities and labor representatives to convene a "Safety, Health and Environmental Protection Committee" on a quarterly basis to discuss the progress of the target plan, internal and external concerns and communication, environmental safety and health and damage prevention management plans, occupational disease prevention and Issues such as health promotion matters, epidemic prevention management matters, and environmental safety and health management performance appraisal.

In 2020, there are 695 participants at 37% attend the meeting in Taiwan and 206 participants at 34% in Mainland China.

The ISO50001 energy management system was introduced in 2019, and the pilot plant successfully passed the ISO50001 management system verification in 2020, and the system will continue to be deduced to the front-end process plant. In April, 2021, the Taiwan front-end process plant passed the external verification to obtain the energy management system certificate. Combine with ISO45001 occupational safety and health management system and ISO14001 environmental management system to make the environmental safety and health management system more comprehensive and complete, provide a better working environment for factory workers, fulfill social responsibilities and enhance competitiveness to implement the sustainable business philosophy.

Analysis and Statistics of Occupational Hazards

The Company has built an electronic and database based environmental safety and health management system to improve the communication efficiency of environmental safety and health information within the organization. Since 2016, an operational and intelligent environmental safety and health management system has been developed to establish management indicators for environmental safety, health management and risk management in the plant, so as to measure the performance level of environmental safety and health management, and supervise the operation status of risk management to grasp the trend change.

Through the electronic system, the hazard identification and the risk assessment system are interconnected, as well as the operation safety observation system and the work safety analysis, in order to eliminate the potential hazard factors of the operation activities of employees and contractors, and improve the safety of the operation environment; in addition, the "parallel implementation system" is used to carry out in parallel the corrective and preventive measures of exceptional events to all domestic and overseas plants to avoid the recurrence of similar exceptional events.

The frequency of disability injury (FR) and the severity of disability injury (SR) decreased gradually, during 2013 to 2019. The FR in 2020 was 0.36 and the SR was 8, and it is higher than before. It is because 20 cases of disabling injuries in 2020 was non-operational injuries. The awareness of safety and health of all employees will be promoted. In addition, for operation activities, each factory reduces unsafe environments and behaviors and improves the intrinsic safety design of equipment through operation safety risk and operation safety observation and management plan implementation, and promotes process automation to reduce the operation of personnel and equipment interface, and implement human engineering risk assessment and hazard prevention and other advanced improvement projects, and at the same time, the work safety observation and work safety analysis project will be increased in the factories performance appraisal project to encourage colleagues to actively participate.In order to seek improvement, all the Company’s plants continue to set the annual goal challenge for Lost Workday Event and Restrictive Workday Event in 2021.

Contractor management

Through regular two-way communication meetings and irregular construction safety courses to strengthen contractors' awareness of environmental safety and health management, they also cooperate with contractors to complete job hazard identification, risk assessment and analysis, and emergency response plans for high-risk operations. In the event of an accident, the Company’s "Accident Electronic Management System" will conduct accident investigation and analysis and implement corrective and preventive measures; in order to prevent accidents, the contractor’s hazard assessment and prevention capabilities will be promoted and strengthened through education and training activities, and the operation activities may trigger rescue and response drills for accidents. The contractor accident rate of 0.43, IR 0.15, and LDR 3 in 2020 are higher, compared with the year 2019. But the work-related fatalities rate is 0, thus the construction work of the contractor will continue to implement the safety analysis of the contractor's work, take preventive measures, toolbox meetings and other measures to prevent the recurrence of accidents in 2021.

ESH Training and Contingency drill

Employees are the most valuable asset. Training is an investment that never depreciates. ESH training is the basis for the promotion and practical implementation of our ESH management. We make long-term investments in human and material resources according to the hazard profile of each plant.We plan, design and deliver training to the staff regarding ESH knowledge and skills, such as injury prevention, machinery safety, fire safety management, and plant safety management. We also monitor and control the training quality and effectiveness. In 2020, 2,294 ESH training sessions were held, for a total of 286,904 participants. On average, employees joined over 4 training sessions per person per year.

The Company builds emergency response organizations and develops contingency plans and preparation

procedures for various situations such as fires, earthquakes, chemical leaks, etc., and through daily education, training and drills to enable the Company to deal with them quickly and effectively Disasters and loss reduction.

(2) Loss Prevention Management Projects

The Company has long been committed to the establishment and improvement of damage prevention systems and regulations, annual damage prevention inspections and audits, and continuous implementation of improved technology in risk management and control standards, in order to continuously improve and strengthen the Company's physical fitness.

In recent years, the implementation of inspection projects for the construction or expansion of new plants, new processes and major changes, fire and natural disaster risks has comprehensively strengthened the Company's physical risk management to enhance the Company's risk tolerance and recovery ability after facing shock

Continue the past experience in 2020, and consider internal, external and industry concerns about major risk trends, such as climate change threats, fires and explosions, external service supply and other operational interruption threats; the Company's internal execution and optimization of the continuous operation management system extend outward Go to the environmental safety and operational risk check of the factory-resident suppliers, complete the collaborative operation robot safety evaluation report project in accordance with the automation development strategy, etc., to strengthen the mutual coexistence of stakeholders inside and outside the Company, and implement sustainable business operation

Prevention of manmade disasters

Due to musculoskeletal disorders percentage increase this few years, prevention of company as below:

A. Identification and analysis of the risk of job-specific processes of a systematic, resource and continuous improvement mode execution.

B. Occupational Safety and Health Act will trigger repetitive operations, such as pre-musculoskeletal diseases Anti concept implanted "hazard identification and risk assessment norms" to implement career In order to effectively prevent and control concepts, health management must be through hazard awareness, assessment and control improvement.

Disease prevention and management of workload

The Company aims to effectively prevent abnormal workloads from causing diseases and ensure the safety and health of employees as follow:

A. Ensure that employees’ working hours, rest, and vacation conditions are in line with local labor regulations.

B. Perform workload level assessment, including employee overload and work pattern assessment, and assess the risk of cardiovascular disease incidence of employees based on health examination results, and adopt health management

C. The health management system was implemented, including annual regular health checkups, risk case identification and management, anomaly tracking management, mental health management, matching work, fitness adjustment, etc.

D. Active promotion of cardiovascular disease ,promote mental health management plans and stress management-related preventive education and dissemination on the rules of working hours, knowledge of preventing workplace fatigue related diseases, and health management strategies to employees through various ways.

Management of Female Health Protection

In order to ensure the well-being of female employees and protect their health, Innolux Corporation, taking into consideration the impact of gender differences and pregnancy on health risks, has implemented

maternal health protection activities and management, including:

A. In conjunction with the local labor laws, parental leave allowance is implemented, miscarriage prevention leave and family care leave rights are reinforced, related health protection measures are established, internal standard operating procedures are set up. For pregnant female employees, health risk assessments are implemented, hazard control and risk communication are carried out, and work adjustments are made as needed.

B. Health guidance during pregnancy and breastfeeding is provided to pregnant employees. Rest areas and breastfeeding rooms are provided to create a friendly working environment for female employees, taking into account the principles of maternity protection and gender equality in employment.

(3) Recruitment and Staffing

The Company’s goal is to employ qualified personnel to create the best possible performance. Our company cares about diversity and equal opportunity. We do not allow employment discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership, and marital status or otherwise. In our day-to-day operations, this means that we monitor and manage our human resources consciously. We analyze and improve turnover patterns. We build a labor force with a balanced structure, which was also integrated into our recruiting policy.

At the same time, adhering to the "take from society, use to society" concept, promote employees with physical and mental disabilities, consider different physical and mental conditions to arrange work appropriately, provide a friendly working environment and strengthen their work functions, so that the work performance of colleagues with disabilities and general colleagues go hand in hand, and the Company also fully fulfill corporate social responsibility

(4) Zero Distance Communication

The Company emphasizes harmonious labor relations. To this end, we convene quarterly meetings with the labor-capital committee and the Employee Welfare Committee. High-level managers from the capital side and grassroots level representatives from the labor side engage in two-way face-to-face communications, to exchange views in an open atmosphere. We also have built a full range of communication channels, which employees can use under their names or anonymously. The Employee Care Hotline, the Employee Care Mailbox, and the opinion box help employees to find quick solutions to their problems.

Workplace Free from Sexual Harassment

To protect employees from sexual harassment, Innolux adopted the 'Sexual Harassment Prevention, Complaint and Management Procedures for Taiwan site' to effectively prevent and deal with sexual harassment. Investigation of sexual harassment is conducted in a non-public fashion to protect the privacy of the parties involved. Everyday protection from sexual harassment is promoted through the start-up screens of computers to build a friendly workplace and eliminate sexual harassment.

EAPs Employee Assistance Programs

Employees are company's most important asset. Innolux understands how difficulties may affect an individual’s work and life. Therefore, Innolux takes a systematic and embedded approach to offer appropriate professional resources, such as employee communications, psychological counseling, and healthcare, in an effort to reduce the impact that problems may have on our employees' work and lives. We hope to enable our employees to work with a fit body and a healthy mind and improve productivity.

5.5.2 List any losses suffered by the Company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible

expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Current important labor-management agreements and implementation: The Company emphasizes labor-management harmony, builds a smooth communication channel for employees, in addition to complying with labor-based laws and related laws and regulations, and provides no less than the benefits of laws and regulations, is committed to the establishment of a complete system and the establishment of friendliness.

The Company and its subsidiaries have recently and until the annual report dated, and the estimated cost of labor disputes is NT$ 18,058 thousand. However, there is no other case of paying fines due to labor inspections that violate the relevant regulations of the Labor Standards Law.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease Agreement of the Land	Science-based Industrial Park Administration	May 28, 2003 - Dec 31, 2022	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	Science-based Industrial Park Administration	Apr. 6, 2004 – Dec. 31, 2023	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	Science-based Industrial Park Administration	Dec. 1, 2007 – Dec. 31, 2026	T2 Leasehold of land oriented for factory	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	Science-based Industrial Park Administration	Feb. ,2001- Dec. , 2020	Lease of land for Chunan Base of Hsinchu Science Park in Miaoli County (Plant No. I)	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	Science-based Industrial Park Administration	Feb. ,2004 – Dec. ,2023	Lease of land for Chunan Base of Hsinchu Science Park in Miaoli County (Plant No. II)	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	South Taiwan Science-based Industrial Park Administration	Mar. 9, 2015 – Mar. 8, 2035	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	South Taiwan Science-based Industrial Park Administration	Jun. 1, 2019- Apr. 30,2031	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	South Taiwan Science-based Industrial Park Administration	Jan. 1, 2020- Nov. 30, 2026	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	South Taiwan Science-based Industrial Park Administration	Jan. 1, 2020- Apr. 30, 2028	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	South Taiwan Science-based Industrial Park Administration	Jan. 1, 2020- Dec. 31, 2029	Leasehold of land	Pursuant to the terms and conditions set forth under the Agreement
Lease Agreement of the Land	Science-based Industrial Park Administration	Jan. 1, 2021 – Sep. 30, 2028	T3 Leasehold of land oriented for factory	Pursuant to the terms and conditions set forth under the Agreement
Engineering Project Agreement	Chung Lin Construction Co., Ltd.	Feb. ,2001 till expiry of warranty period	FAB I Project of Civil Engineering Construction	Pursuant to the terms and conditions set forth under the Agreement
Engineering Project Agreement	Hu Tzu Construction Co., Ltd.	Jul. ,2005 till expiry of warranty period	FAB II Newly constructed project	Pursuant to the terms and conditions set forth under the Agreement
Engineering Project Agreement	Cheng Teh Fireproof Industrial Co., Ltd.	Sep. ,2005 till expiry of warranty period	New construction of Plant No. II, award of the fire prevention project contract	Pursuant to the terms and conditions set forth under the Agreement

Agreement	Counterparty	Period	Major Contents	Restrictions
Equipment Purchase	Hon Hai Precision Ind. Co., Ltd.	Nov. 29, 2017 till expiry of warranty period	Machinery equipment	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of Taiwan and bank groups	Mar. 12, 2015 – Mar. 12, 2020	1. To be used by the Loanee to reimburse, under the syndicated accord, the mid-term and long-term syndicated loans, for all fund required for the outstanding balance of principal as mentioned above. 2. In the amount of NT$68.5 billion	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of Taiwan, CTBC and bank groups	Sep. 6,2016-Dec. 6,2021	1.To be used to reimburse the mid-term loan 2. In the amount of NT$35 billion	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of CTBC,TFC and bank groups	Jul. 16, 2018-Jul. 16, 2023	1. To be used to reimburse the mid-term loan 2. In the amount of NT$43.75 billion 3. Medium-term guarantee loan for 5 years (subject to 2 years under the joint credit agreement)	Pursuant to the terms and conditions set forth under the Agreement
Syndicated Loans	Bank of CTBC, Mega Bank, and bank groups	Jun. 24, 2020-Jun. 24, 2025	1. To be used to reimburse the mid-term loan 2. In the amount of NT$37.5 billion 3. Medium-term guarantee loan for 5 years (subject to 2 years under the joint credit agreement)	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise A	Jun. 17, 2013 – Jun. 30, 2018	3D Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise B.	Jan. 1, 2015 – Dec. 31, 2020	IPS Relevant patents	Pursuant to the terms and conditions set forth under the Agreement
Cross-licensing	Multinational Enterprise C	Jul. 2, 2012 – Jul. 2, 2022	Display of the relevant cross-patent licensing within the regions.	Pursuant to the terms and conditions set forth under the Agreement
Cross-licensing	Multinational Enterprise D	Jul. 1, 2013 – Jul. 1, 2023	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise E	Sep. 5, 2013 – Sep. 5, 2021	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Cross-licensing	Multinational Enterprise F	Oct. 1, 2017– Sep. 30, 2022	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise G	Jan. 1, 2019-Dec. 31, 2028	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement
Patent authorization	Multinational Enterprise H	Feb. 28, 2019-Permanent authorization	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement

Agreement	Counterparty	Period	Major Contents	Restrictions
Patent authorization	Multinational Enterprise I	Jan. 1, 2020 – Dec 31, 2024	LCD Relevant technology & know-how	Pursuant to the terms and conditions set forth under the Agreement

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet

Unit: NT thousands

Item \ Year		Financial Summary for The Last Five Years (Note1)					As of the printing date of this annual report
		2016	2017	2018	2019	2020	
Current assets		126,998,131	158,529,955	169,734,116	133,118,249	159,162,307	157,883,530
Property, Plant and Equipment		201,360,858	220,864,627	206,617,960	194,382,436	178,901,675	173,072,628
Intangible assets		18,446,321	17,910,908	17,681,485	17,577,644	17,506,984	17,516,564
Other assets		24,674,238	17,553,268	17,886,043	24,686,017	23,988,871	55,363,775
Total assets		371,479,548	414,858,758	411,919,604	369,764,346	379,170,648	403,836,497
Current liabilities	Before distribution	116,165,904	131,894,172	120,274,676	110,818,145	109,170,648	109,600,701
	After distribution	117,161,108	139,855,829	120,871,800	111,781,252	Note 2	—
Non current liabilities		29,307,281	18,639,538	36,654,223	26,836,172	32,822,143	35,701,610
Total liabilities	Before distribution	145,473,185	150,533,710	159,928,899	137,654,317	141,992,791	145,302,311
	After distribution	146,468,389	158,495,367	157,526,023	138,617,424	Note 2	—
Equity attributable to shareholders of the parent		226,006,363	264,325,048	254,990,705	231,927,704	237,369,660	258,334,245
Capital stock		99,521,488	99,520,720	99,520,720	97,110,720	99,404,332	102,483,196
Capital surplus		99,647,810	99,646,919	99,648,115	100,362,379	99,707,996	101,372,977
Retained earnings	Before distribution	30,255,869	66,248,130	60,485,333	42,398,622	44,317,003	55,959,283
	After distribution	29,260,665	58,286,473	59,888,209	42,398,622	Note 2	—
Other equity interest		(3,418,804)	(1,090,721)	(4,663,463)	(7,325,437)	(6,059,671)	(1,481,211)
Treasury stock		—	—	—	(618,580)	—	—
Non controlling interest		—	—	—	182,325	197,386	199,941
Total equity	Before distribution	226,006,363	264,325,048	254,990,705	232,110,029	237,567,046	258,534,186
	After distribution	225,011,159	256,363,391	254,393,581	231,146,922	Note 2	—

Note 1: Financial summary for the last five years audited and certified by accountants.
Note 2: Pending on approval of shareholders at Annual General Shareholders' Meeting

2. Consolidated Condensed Statement of Comprehensive Income

Unit: NT thousands

Year / Item	Financial Summary for The Last Five Years (Note1)					As of the printing date of this annual report
	2016	2017	2018	2019	2020 (Note2)	
Operating revenue	287,089,277	329,174,401	279,376,115	251,971,209	269,911,051	83,838,696
Gross profit	26,088,491	68,738,677	26,813,558	3,014,080	23,833,098	21,626,500
Income from operations	6,413,249	47,022,209	4,835,296	(19,933,896)	1,811,797	14,880,739
Non-operating income and expenses	(1,421,129)	1,918,980	1,734,134	3,408,468	745,334	(2,282,881)
Income before tax	4,992,120	48,941,189	6,569,430	(16,525,428)	2,557,131	12,597,858
Net income (Loss)	1,870,687	37,028,609	2,222,762	(17,440,272)	1,639,824	11,567,018
Profit (loss) from discontinued operations	—	—	—	—	—	—
Net income (Loss)	1,870,687	37,028,609	2,222,762	(17,440,272)	1,639,824	11,567,018
Other comprehensive income (income after tax)	(6,152,001)	2,286,939	(3,596,644)	(2,709,329)	1,548,600	4,649,044
Total comprehensive income	(4,281,314)	39,315,548	(1,373,882)	(20,149,601)	3,188,424	16,216,062
Net income attributable to shareholders of the parent	1,870,687	37,028,609	2,222,762	(17,442,990)	1,636,144	11,571,419
Net income attributable to non-controlling interest	—	—	—	2,718	3,680	(4,401)
Comprehensive income attributable to Shareholders of the parent	(4,281,314)	39,315,548	(1,373,882)	(20,151,561)	3,184,147	16,220,740
Comprehensive income, attributable to non-controlling interests	—	—	—	1,960	4,277	(4,678)
Earnings per share	0.19	3.72	0.22	(1.77)	0.17	1.15

Note 1: Financial summary for the last five years audited and certified by accountants.
Note 2: Pending on approval of shareholders at Annual General Shareholders' Meeting

3. Alone Balance Sheet

Unit: NT thousands

Item \ Year		Financial Summary for The Last Five Years (Note1)				
		2016	2017	2018	2019	2020
Current assets		103,003,830	129,298,905	149,336,693	112,321,779	136,264,073
Property, Plant and Equipment		170,150,592	191,778,224	176,216,141	164,083,562	147,618,538
Intangible assets		18,375,538	17,681,078	17,599,664	17,446,858	17,365,850
Other assets		97,564,329	91,173,093	95,105,109	101,914,217	103,499,227
Total assets		389,094,289	429,931,300	438,257,607	395,766,416	404,747,688
Current liabilities	Before distribution	133,926,912	147,100,829	146,751,492	137,327,341	134,766,729
	After distribution	134,922,116	155,062,486	147,348,616	138,290,448	Note2
Non current liabilities		29,161,014	18,505,423	36,515,410	26,511,371	32,611,299
Total liabilities	Before distribution	163,087,926	165,606,252	183,266,902	163,838,712	167,378,028
	After distribution	164,083,130	173,567,909	183,864,026	164,801,819	Note 2
Equity attributable to shareholders of the parent		226,006,363	264,325,048	254,990,705	231,927,704	237,369,660
Capital stock		99,521,488	99,520,720	99,520,720	97,110,720	99,404,332
Capital surplus	Before distribution	99,647,810	99,646,919	99,648,115	100,362,379	99,707,996
	After distribution	—	—	—	99,399,272	—
Retained earnings	Before distribution	30,255,869	66,248,130	60,485,333	42,398,622	44,317,003
	After distribution	29,260,665	58,286,473	59,888,209	42,398,622	Note 2
Other equity interest		(3,418,804)	(1,090,721)	(4,663,463)	(7,325,437)	(6,059,671)
Treasury stock		—	—	—	(618,580)	—
Non controlling interest		—	—	—	—	—
Total equity	Before distribution	226,006,363	264,325,048	254,990,705	231,927,704	237,369,660
	After distribution	225,011,159	256,363,391	254,393,581	230,964,597	Note 2

Note 1: Financial summary for the last five years audited and certified by accountants.
Note 2: Pending on approval of shareholders at Annual General Shareholders' Meeting

4. Alone Statement of Comprehensive Income

Unit: NT thousands

Year / Item	Financial Summary for The Last Five Years (Note1)				
	2016	2017	2018	2019	2020(Note2)
Operating revenue	285,695,113	323,687,952	278,407,555	249,384,126	265,436,103
Gross profit	14,853,964	57,451,834	18,005,702	(5,413,355)	14,983,862
Income from operations	513,079	40,633,793	356,315	(22,891,507)	(1,628,571)
Non-operating income and expenses	3,147,845	4,441,800	3,872,395	5,076,526	3,630,908
Income before tax	3,660,924	45,075,593	4,228,710	(17,814,981)	2,002,337
Net income (Loss)	1,870,687	37,028,609	2,222,762	(17,442,990)	1,636,144
Profit (loss) from discontinued operations	—	—	—	—	—
Net income (Loss)	1,870,687	37,028,609	2,222,762	(17,442,990)	1,636,144
Other comprehensive income (income after tax)	(6,152,001)	2,286,939	(3,596,644)	(2,708,571)	1,548,003
Total comprehensive income	(4,281,314)	39,315,548	(1,373,882)	(20,151,561)	3,184,147
Net income attributable to shareholders of the parent	1,870,687	37,028,609	2,222,762	(17,442,990)	1,636,144
Net income attributable to non-controlling interest	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent	(4,281,314)	39,315,548	(1,373,882)	(20,151,561)	3,184,147
Comprehensive income attributable to non-controlling interest	—	—	—	—	—
Earnings per share	0.19	3.72	0.22	(1.77)	0.17

Note 1: Financial summary for the last five years audited and certified by accountants.
Note 2: Pending on approval of shareholders at Annual General Shareholders' Meeting

6.1.2 CPA name and Audit Opinions of the Last 5 Years

Year	Accounting Firm	CPA	Auditing Opinion
2016	PricewaterhouseCoopers	Wu Han-Chi & Hsu Sheng-Chung	Unqualified wording
2017	PricewaterhouseCoopers	Wu Han-Chi & Hsu Sheng-Chung	Unqualified wording
2018	PricewaterhouseCoopers	Wu Han-Chi & Liang, Hua-Ling	Unqualified wording
2019	PricewaterhouseCoopers	Wu Han-Chi & Liang, Hua-Ling	Unqualified wording
2020	PricewaterhouseCoopers	Hsu Sheng-Chung & Liang, Hua-Ling	Unqualified wording

6.1.3 If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the Company's previous and current CPA over the causes for such change/replacement shall be set forth.

Year	Former CPA's Name	Current CPA's Name	Reason
2016	None		
2017	None		
2018	Wu Han-Chi & Hsu Sheng-Chung	Wu Han-Chi & Liang, Hua-Ling	Internal adjustment of the accounting firm
2019	None		
2020	Wu Han-Chi & Hsu Sheng-Chung	Hsu Sheng-Chung & Liang, Hua-Ling	Internal adjustment of the accounting firm

6.2 Five-Year Financial Analysis

1. Consolidated Financial Analysis

Item \ Year (Note 1)		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	39.16	36.29	38.10	37.23	37.41	35.98
	Ratio of long-term capital to property, plant and equipment	126.79	128.12	141.15	129.16	146.59	164.82
Solvency (%)	Current ratio	109.32	120.19	141.12	120.12	145.79	144.05
	Quick ratio	87.84	96.12	113.81	88.51	114.66	113.67
	Interest earned ratio(times)	4.90	53.16	12.59	(15.02)	3.49	48.13
Operating performance	Accounts receivable turnover(times)	4.97	5.32	5.13	5.46	5.69	6.08
	Average collection period	73	69	71	67	64	60
	Inventory turnover(times)	9.02	8.91	7.69	7.58	7.50	7.59
	Accounts payable turnover (times)	4.45	4.72	4.66	4.68	4.97	5.35
	Average days in sales	40	41	47	48	49	48
	Property, plant and equipment turnover(times)	1.43	1.56	1.31	1.24	1.40	1.85
	Total assets turnover (times)	0.76	0.84	0.68	0.64	0.72	0.86
Profitability	Return on total assets(%)	0.68	9.57	0.64	(4.25)	0.66	3.01
	Return on stockholders' equity(%)	0.82	15.10	0.86	(7.16)	0.70	4.66
	Pre-tax income to paid-in capital(%)	5.02	49.18	6.60	(17.02)	2.57	12.29
	Profit ratio(%)	0.65	11.25	0.80	(6.92)	0.61	13.8
	Earnings per share(NT$)	0.19	3.72	0.22	(1.77)	0.17	1.15
Cash flow	Cash flow ratio(%)	28.75	62.66	43.72	12.48	20.52	17.37
	Cash flow adequacy ratio(%)	235.82	236.36	187.54	135.92	110.77	133.91
	Cash reinvestment ratio(%)	4.12	10.02	5.22	1.56	2.41	2.07
Leverage	Operating leverage	7.78	1.97	10.13	—	24.87	1.79
	Financial leverage	1.16	1.02	1.13	—	2.31	1.02

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Current ration and quick ratio increase: mainly due to the significant increase in financial assets measured in amortized cost in 2020 compared with 2019, and the increase in accounts receivable in 2020 compared with 2019.
2. The ratios of interest protection multiples and profitability increase: mainly due to the increase in profitability.
3. Ratio of cash flow and reinvestment rate in cash increase: mainly due to the increase in net cash inflow from operating activities in 2020 compared with 2019.
4. Operating leverage and financial leverage: Mainly due to the increase in profit in 2019.

Note 1: Financial summary for the last five years audited and certified by accountants.

Note 2: Financial Ratio Formula

1. Financial Structure analysis
   (1) Debt ratio= Total Liabilities / Total Assets
   (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
   (1) Current ratio = Current assets / Current liability
   (2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
   (3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense
3. Operating performance analysis
   (1) Average collection turnover(Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
   (2) Days to collect accounts receivable = 365 / Average collection turnover

(3) Average inventory turnover = Cost of goods sold / Average inventories
(4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
(5) Average days to sell inventory = 365 / Average inventory turnover
(6) Property, plant and equipment turnover = Sales / Average property, plant and equipment, net
(7) Total assets turnover = Sales / Average total assets

4. Return on investment analysis
   (1) Rate of return on assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets
   (2) Rate of return on equity = Profit / Average total Equity
   (3) Profit to sales = Profit / Sales
   (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares
5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liability
   (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
   (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital)
6. Leverage
   (1) Operating Leverage= (Net sales – Variable cost) / Operating income
   (2) Financial leverage = Operating income / (Operating income – Interest expenses)

2. Financial Analysis -Alone

Item \ Year		Financial analysis in the past five years(Note 1)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	41.91	38.52	41.82	41.10	41.35
	Ratio of long-term capital to property, plant and equipment	149.97	147.48	165.43	152.53	177.10
Solvency (%)	Current ratio	76.91	87.90	101.76	81.79	101.11
	Quick ratio	62.14	69.93	83.01	60.16	80.72
	Interest earned ratio(times)	3.89	49.02	8.47	(16.33)	2.95
Operating performance	Accounts receivable turnover(times)	5.20	5.90	5.77	5.69	5.79
	Average collection period	70	62	63	64	63
	Inventory turnover(times)	11.47	11.00	9.28	8.95	8.97
	Accounts payable turnover(times)	3.55	3.47	3.19	2.90	3.15
	Average days in sales	32	33	39	41	41
	Property, plant and equipment turnover(times)	1.71	1.79	1.51	1.47	1.70
	Total assets turnover(times)	0.73	0.79	0.64	0.60	0.66
Profitability	Return on total assets (%)	0.65	9.19	0.62	(3.99)	0.61
	Return on stockholders' equity (%)	0.82	15.10	0.86	(7.16)	0.70
	Pre-tax income to paid-in capital (%)	3.68	45.29	4.25	(18.35)	2.01
	Profit ratio (%)	0.65	11.44	0.80	(6.99)	0.62
	Earnings per share (NT$)	0.19	3.72	0.22	(1.77)	0.17
Cash flow	Cash flow ratio (%)	24.06	55.59	34.02	5.79	5.91
	Cash flow adequacy ratio (%)	203.85	215.66	174.92	122.84	107.31
	Cash reinvestment ratio (%)	4.25	10.55	5.22	0.92	0.84
Leverage	Operating leverage	79.9	2.04	118.97	—	—
	Financial leverage	—	1.02	—	—	—
Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.) 1. Current ratio and quick ratio increase: mainly due to the significant increase in financial assets measured in amortized cost in 2020 compared with 2019, and the increase in net accounts receivable in 2020 compared with 2019. 2. The ratios of interest protection multiples and profitability increase: mainly due to the increase in profitability.						

Note 1: Financial summary for the last five years audited and certified by accountants.

Note 2:Financial Ratio Formula

1. Financial Structure analysis
   (1) Debt ratio= Total Liabilities / Total Assets
   (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
   (1) Current ratio = Current assets / Current liability
   (2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
   (3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense
3. Operating performance analysis
   (1) Average collection turnover(Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
   (2) Days to collect accounts receivable = 365 / Average collection turnover
   (3) Average inventory turnover = Cost of goods sold / Average inventories
   (4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
   (5) Average days to sell inventory = 365 / Average inventory turnover
   (6) Property, plant and equipment turnover = Sales / Average property, plant and equipment, net
   (7) Total assets turnover = Sales / Average total assets
4. Return on investment analysis
   (1) Rate of return on assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets
   (2) Rate of return on equity = Profit / Average total Equity
   (3) Profit to sales = Profit / Sales

(4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares

5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liability
   (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
   (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital)
6. Leverage
   (1) Operating Leverage= (Net sales – Variable cost) / Operating income
   (2) Financial leverage = Operating income / (Operating income – Interest expenses)

6.3 Audit Committee Report in the Most Recent Year

Audit Committee Report

The Board of Directors has duly submitted the 2020 operating report, financial statements, and the proposal of earnings distribution. The financial statements have been duly reviewed and approved by CPAs of PwC Taiwan with the issuance of Independent Auditor's Report.

The Audit Committee have completed the audit and review, and had found nothing inconsistent with any of the above. Therefore, I issue this audit report for acknowledgment in accordance with Securities and Exchange Act and the Company Act. For your approval.

To

General Shareholders Meeting of the Company in 2021

Audit Committee
Chair: Chi-Chia Hsieh

Date: May 11, 2021

6.4 Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

Please refer to page 138 of the annual report.

6.5 Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

Please refer to page 231 of the annual report.

6.6 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties: None

VII.Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	133,118,249	159,162,307	26,044,058	19.56
Fixed Assets	194,382,436	178,901,675	(15,480,761)	(7.96)
Intangible assets	17,577,644	17,506,984	(70,660)	(0.40)
Other Assets	24,686,017	23,988,871	(697,146)	(2.82)
Total Assets	369,764,346	379,559,837	9,795,491	2.65
Current Liabilities	110,818,145	109,170,648	(1,647,497)	(1.49)
Other Liabilities-non-current (1)	26,836,172	32,822,143	5,985,971	22.31
Total Liabilities	137,654,317	141,992,791	4,338,474	3.15
Capital stock	97,110,720	99,404,332	2,293,612	2.36
Capital surplus	100,362,379	99,707,996	(654,383)	(0.65)
Retained Earnings	42,398,622	44,317,003	1,918,381	4.52
Other equity	(7,325,437)	(6,059,671)	1,265,766	(17.28)
Treasury shares (2)	(618,580)	—	618,580	(100.00)
Non controlling equity	182,325	197,386	15,061	8.26
Total Stockholders' Equity	232,110,029	237,567,046	5,457,017	2.35

Analysis of changes in financial ratios:

1. Mainly due to the increase in bonds payable this year.

2. Mainly due to the transfer treasury shares to employees this year.

7.2 Analysis of Financial Performance

Unit: NT thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Gross Sales	251,971,209	269,911,051	17,939,842	7.12
Cost of Sales	248,957,129	246,077,953	(2,879,176)	(1.16)
Gross Profit (1)	3,014,080	23,833,098	20,819,018	690.73
Operating Expenses	22,947,976	22,021,301	(926,675)	(4.04)
Operating Income (2)	(19,933,896)	1,811,797	21,745,693	(109.09)
Non-operating Income and Expenses (3)	3,408,468	745,334	(2,663,134)	(78.13)
Income Before Tax (4)	(16,525,428)	2,557,131	19,082,559	(115.47)
Tax Benefit (Expense)	914,844	917,307	2,463	0.27
Net income (5)	(17,440,272)	1,639,824	19,080,096	(109.40)
Other comprehensive income (6)	(2,709,329)	1,548,600	4,257,929	(157.16)
Total comprehensive income (7)	(20,149,601)	3,188,424	23,338,025	(115.82)

Analysis of changes in financial ratios:

1. The fluctuation of the main industry's business climate, market demand and price changes, resulting in an increase in operating margins.
2. The main operating profit increased.
3. Mainly due to the increase in other losses and the decrease in interest income.
4. Mainly due to the increase in business interests.
5. Mainly due to the increase in net profit before tax.
6. Mainly due to the unrealized evaluation of gains and losses on equity instrument investments measured at fair value through other comprehensive gains and losses and the reduction in conversion differences translated from the financial statements of foreign operating agencies.
7. Mainly caused by the current gain.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT thousands

Items \ Year	2020	Analysis
Net cash provided by operating activities	22,404,153	Net cash provided mainly due to depreciation and reasonable control for operating cycle.
Net cash used in investing activities	(41,934,106)	Mainly used for capital expenditures and acquired financial instruments.
Net cash used in financing activities	11,184,046	Mainly due to the long-term loans and the issuance corporate bonds.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plan	Financing Plan
26,124,000	60,981,000	21,031,000	66,074,000	—	—
2021 Analysis of changes in cash flow: Operating Activities: Net Cash inflow due to the Company continuously optimize product portfolio and adjust cost structure. Investing Activities: Net cash outflow due to continuous technological advancement and capital expenditures for new technologies Financing Activities: Net cash inflow mainly due to appropriation and bank repayment. Remedy Actions for Cash Shortfall: None					

7.4 Major Capital Expenditure Items

The Company's 2020 annual capital expenditure, it mainly consists of automotive/profile/large-sized curvature manufacturing process, large-sized TV of 8K production capacity, narrow edge/thin/full screen, high precision production with wide viewing angle/machine module line, public display, automation upgrade, yield quality improvement, new product and new technology (Micro-LED/Mini-LED), and Green Energy Environmental Protection, etc., the actual capital expenditure is about NT$ 20,673,368 thousands. It will help the Company's revenue growth and profit improvement in 2021.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

In terms of outward investment, the Company focused on the up- and down-streams of TFT-LCD industries to assure effective vertical integration as the final objectives. Given the worsening fluctuation of panel industry and the mature development of the industrial chains, the Company held a policy of being increasingly conservative. Other than the efforts we try to refrain from investing toward the businesses irrelevant to the Company’s principal business, the Company disposed non-core investment and investment insignificant in strategies. The Company will cooperate with the group's overall investment plan and make the most appropriate use of resources in the future.

In the consolidated financial report of the Company in 2020, the investment gain recognized in equity method came to NT$ 176,561 thousand, thanks primarily to the strong demand of the LCD industry and the strong profitability in the field of special application of the panel is quite successful. Overall, the performance with the Company’s outward reinvestments have been well up to our expectation and have been continually integrated with our business development.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Change in interest rate

Due to the impact of the epidemic, most major economies, except Taiwan and China, were in recession. The Fed, ECB, and BoJ continue to purchase bonds in response to the epidemic, and the size of their assets has risen to a record high, with growth rates surpassing those of the global financial crisis of 2008 to 2009. Fiscal and monetary policies in Europe and the United States continue to be accommodative, and abundant liquidity continues to depress bond yields, while bond yields in eurozone frontier countries such as Greece have fallen

to negative values, resulting in a record high in the size of negative interest rate bonds worldwide. As for the domestic economy, the Generate-General of Budget, Accounting and Statistics forecasted that the economic growth rate (yoy) for 2020 would be 2.54%, down 0.42 percentage points from the 2.96% growth rate for 2019. According to the comparison of official forecasts of various countries, Taiwan is one of the few countries with positive economic growth this year, but the global monetary policy easing, coupled with the expansionary fiscal policy is the largest in history, Taiwan currently has no inflationary concerns, the basic structure of interest rates has not changed, and the moderate monetary easing will continue.

2. Foreign exchange rates

(1) To prevent a potential disadvantage to the foreign currencies in input, output, investment and financing activities to the Company's assets, liabilities values, operating results due to fluctuation in exchange rates, the Company, in due time, would undertake forward foreign exchange to evade potential risks in fluctuation in exchange rates.

(2) The Company adopted natural Hedge in principle to evade exchange rate risks by taking the revenues from sales in foreign currencies to pay off required foreign currencies. We, therefore, only undertook the hedge transaction aiming at the positions of net assets or liabilities in foreign currencies.

(3) In the Company, over 90% of the operating revenues came from U. S. Dollars and other foreign currencies. For capital expenditures and manufacturing costs, the primary demand for foreign currencies came from U. S. Dollars and Japanese yen. Any unfavorable significant change in exchange rate would lead to a passive impact upon the financial profit and/or loss.

3. Inflation

It is expected that the annual growth rate of CPI and core CPI for the whole year will be -0.25% and 0.35% respectively due to epidemic in Europe, the US and other countries, oil prices are weak, and there is no domestic typhoon and heavy rain, the prices of vegetables and fruits are stable recently. It is expected that the global epidemic will improve, the economy will recover, oil prices will rebound, and domestic demand will recover next year; the annual growth rates of CPI and core CPI next year will be respectively 0.92% and 0.71%. To prevent potential impact on the negative aspect from high-speed inflation which would, in turn, dampen investment, consumption and savings, the communications has tried by all means of lower various costs to enhance competitive edge and would be closely watchful the change in the supply and demand in the market, to flexibly adjust product portfolio to closely live up to actual demand in the market.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The Company had not engaged in highly risky and high financial leverage investment. Exactly as required by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan and the laws and ordinances concerned, we have set up wholesome financial and operating grounds in the managerial regulations and operating procedures, including "Procedures to Engage in Transaction and Disposal of Derivatives", "Procedures for Loaning of Funds to Others" and "Operating Procedures of Endorsements/Guarantees".

2. In an attempt to control potential risks in finance, we hold a very wholesome and conservative principle in derivative financial instruments to primarily evade the potential risks of the exchange rates in the substantial positions incurred by input, output and financing activities. In the days and years ahead, we shall stick to such same principle to coordinate with the trends of exchange rates and interest rates as well as the Company's business operation, we shall adjust the financial risk management in real time in accordance with laws and ordinances concerned, internal managerial rule and operating procedures.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company's future technology development continues to be in the field of display applications. Mainly wide viewing angle TFT LCD display technology to improve the contrast and color of TFT LCD large viewing

angle; high transmittance to improve the optical utilization of display; Mega Zone, Mini-LED technology to improve the color saturation, brightness and contrast; TFT LCD module technology with thin and narrow frame for display panel; continuous improvement with high resolution, high brightness, wide temperature and low energy consumption technology; endeavor to develop high-end technologies such as naked-eye stereo display, Privacy, Mirco-LED, etc. to continuously lead TFT-LCD in new field applications; embedded integrated touch technology (TOD, TID, Hybrid), bonding process technology and automated assembly technology. The Company's research and development expenditure in 2020 is NT$12,149,513 thousand. In 2021, the Company expects to invest another R&D fee of NT$ 14.9 billion. However, it will adjust according to the global market conditions and actual operating conditions, and continue to maintain its leading edge in technological development.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

As of the Annual Report's publication date, there has been no adversely impact on financial or business due to any policy and law changed. All the Company's teammates would be closely watchful of potential changes in major policies and laws and ordinances concerned at home and abroad and set up legal personnel to help such issues. Through such efforts, we shall be able to take right countermeasures in real-time to minimize the potential impact upon the Company's financial standing which might be incurred by major policies at home and abroad and change in laws.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

Technology Change

The TFT-LCD industry is challenged by the constantly upgraded know-how and new products while the mainstream products are being replaced by new generation at a quickening pace. Should we fail to deal with the impact incurred by the change in science and technology that would be an impact upon the business and financial standing on the seamy sides. Since the Company first came into being, we have spared no effort to accumulate the technical capability of TFT-LCD displays to deal with the impact incurred by the change in science and technology. Other than investment in high level research & development toward high display quality, high solution, broad vision angles, high open rates, quick response, thin and light designs, narrow frames, ultra energy conservation, flexible display and such technology & know-how, we have, as well, tried to develop low temperature LTPS, Oxide, Mini LED, and organic lighting display OLED and such technology & know-how to assure firm competitive edge and effective growth in the Company's business and financial standing.

Industry Change

TFT-LCD features high economic cycle and drastic fluctuation. Any sort of economic trend drops, competitor dynamics, and changes in end-user demand all might lead to a shock to the Company's business operation on the seamy side. Here at the Company, all our teammates would be closely watchful of fluctuation that might hit the Company into passive aspect and work out sound countermeasures beforehand. In terms of financial operation, we adopt sound and stable financial operation to deal with potential fluctuation in the businesses.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Faithful law compliance, focus on employees' and shareholders' equity represents the very bounden duties to the Company's management. In case of a contingency, the Company's ranking department head would serve as the emergency convener to immediately set up the Crisis Task Force to defuse the crisis forthwith. As of the Annual Report's publication date, there has been no event that adversely impacts Innolux's corporate image and impacts on corporate risk management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

At the moment, the Company has no plan to launch a merger with another enterprise. Toward potential strategic investment or vertical integration, and the cost benefit and the potential risk so arising, the Company's management would conduct appropriate evaluation and evasion as appropriate.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

We all have those related technical groups to perform the professional feasibility assessment for expansion and build out of new generation factory.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

There is no risk associated with excessive customer concentration, due to the plenty production line and the main customers are international brand manufacturers. Innolux's usually have two or more suppliers for main material. Therefore, there is no risk associated with excessive concentration of purchasing. We will keep developing new products and new customers in the future and seeking for the better quality and the lower cost of purchase sources to reduce the risk of excessive customer concentration or excessive purchasing concentration.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%

As of the date of this Annual Report, there were no such risks for Innolux.

7.6.11 Effects of, Risks Relating to and Response to Changes in Management Rights

As of the date of this Annual Report, there were no such risks for Innolux.

7.6.12 Litigation or Non-litigation Matters

1. The lawsuits, non-contentious cases, administrative litigation that are decided by the court or still in proceeding in recent years until this report was issued.

A. In March 2019, the Company received a sanction to the Company and the related employees and managers from Brazil Administrative Council for Economic Defense - CADE for the 2006 TFTLCD pricing collaborations involving Chi Mei Optoelectronics Corporation. The fine was paid off on May 8, 2019 and it was confirmed by representative lawyer of CADE that the Company obeyed the sanction.

B. The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the Company, together with other defendants of Taiwan, Japan and South Korea TFT - LCD companies, had unjustified enrichment from the TFT-LCD pricing collaborations in 2006 and requested monetary compensation. The U.S. subsidiary of the Company has appointed a lawyer to handle the lawsuit.

C. Eidos Displays, LLC and Eidos III, LLC ("Eidos") filed a lawsuit against the Company and American subsidiary with the United States District Court for the Eastern District of Texas on April 25, 2011, alleging infringement of its patent. In December 2013, the magistrate judge granted summary judgment that the Eidos patent is invalid. In January 2014, the presiding judge confirmed the summary judgment.

In February 2014, Eidos appealed to the United States Court of Appeals for the Federal Circuit (CAFC). In March 2015, the CAFC reversed the district court's judgment and remanded the case back to the district court for further proceedings. In June 2017, the jury determined that some products of the Company and American subsidiary directly infringed the patent and awarded damages for Eidos. On March 5, 2018, the district court entered judgment. In January 2020, the Company reached an agreement on the main settlement terms with Eidos during the third mediation. In April 2020, the court granted the judgment that the case shall be closed by mutually performing the settlement terms and the lawsuits have no effect on the Company's financial position and operations.

D. On July 10, 2018, Vista Peak Ventures, LLC (VPV) filed four complaints against the Company in the United States District Court for the Eastern District of Texas, alleging the infringement of several of its

patents. The Company reached settlements with VPV for the aforementioned lawsuits and acquired relevant patent portfolio licensing in the first quarter of 2019. VPV also dismissed the action and the lawsuits have no effect on the Company’s financial position and operations.

E. On March 23, 2018, Chongqing HKC Optoelectronics Technology Co., Ltd. (HFC) filed five complaints against the subsidiaries of the Company, Ningbo Innolux Optoelectronics Ltd., Foshan Innolux Optoelectronics Ltd. as well as their customers and terminal distributors of TV products with the Fifth Intermediate People’s Court in Chongqing, alleging the infringement of its patents. Ningbo Innolux Optoelectronics Ltd. submitted a request of patent invalidity to the national Intellectual Property Administration, PRC upon the patents asserted in the complaints. As of May 21, 2019, all five patents asserted by HKC were declared invalid by the national Intellectual Property Administration, PRC. The five lawsuits that were previously disclosed were allegedly withdrawn by the Chongqing court on June 18, 2019. Thus, the lawsuits have no effect on the Company’s financial position and results of operations.

F. On September 1, 2020, Granville Technology Group Limited, VMT Limited and OT Computers Limited (all under liquidation) jointly filed a civil complaint against the Company with the Senior Courts of England and Wales, claiming that the Company, together with other defendants of Taiwan and South Korea TFT - LCD companies, shall be liable for damages incurred from the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

G. On December 18, 2020, the claimants, SAMSUNG ELECTRONICS CO. LIMITED, SAMSUNG ELECTRONICS TAIWAN CO. LIMITED, SAMSUNG ELECTRONICS (UK) LIMITED, SAMSUNG SEMICONDUCTOR EUROPE LIMITED and SAMSUNG DISPLAY CO. LMITED, jointly filed a civil complaint against the Company with the Business and Property Courts of England and Wales, claiming that the Company shall have the responsibility to pay equitable and fair share of compensation in terms of the settlement agreement that the first to fourth claimants entered into with the particular UK authorities for the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

2. Board members, monitors, CEO, responsible person in fact, shareholders and their companies holding more than 10% shares that involved in lawsuits, non-contentious cases, administrative litigation that were decided by the court or still in proceeding in recent years until this report was issued and might cause major influence on Innolux stockholder's equity and securities price: None.

7.6.13 Other Major Risks:

Information Security Risk and Countermeasures

The Company is committed to protecting the confidential information of the Company, our clients, suppliers, and employees, as well as company intellectual property which is the key of the competitive advantage. This is to ensure the overall benefit of the Company, our clients, employee, and shareholders, and to maintain company competitiveness.

The Company has an information software operation system and an information security disaster recovery mechanism to regulate the control of information assets such as computer mainframes, database systems, application software systems and personal computers, operational information, personal privacy information, and others on the Company's information service system. The Company also established guidelines pursuant to the Information Security Management System (ISMS) to ensure the three targets, including confidentiality, integrity and availability of information, and to strengthen information security management, established a secure and reliable electronic information operation environment, and established an emergency response mechanisms that conducts timely notification and adoption of countermeasures when the Company’s information system and operational information encounter an information security breach to recover to normal operation in the shortest possible time in order to ensure the sustainable operation of the Company's business.

The enhancement of information security of the Company:

1. Automotive panel import TISAX verification

The Company has introduced TISAX verification and have passed AL2 verification in 2020. It is expected to pass AL3 verification in 2021.

2. Social engineering protection of E-mail

Planning corporate internal E-mail social engineering exercises to enhance personnel awareness of information security protection.

3. The enhancement of information security- computer watermark in OA area

All computers in offices are installed control software of computer assets. After booting up and logging onto a computer, computer watermark will start automatically working to prevent internal data leakage from taking pictures.

The Company has established a private corporate mobile messaging platform (INX MApp) to prevent security risks when employees use public communication software. This platform also increases the overall information communication efficiency and safety and achieves the objects of rapid response and decision-making for work-on-the-go. The Company also regularly educates employees on information security concepts through the boot-up promotion platform and reduce the risk of phishing emails through the use of email source verification mechanisms.

The enhancement of information security in the Company is all computers in offices are installed control software of computer assets. After booting up and logging onto a computer, computer watermark will start automatically working to prevent internal data leakage from taking pictures.

Establish a factory-side automated machine-information security platform to enhance the ability to actively identify information security risks. The ability to identify the latest virus attack patterns can block the attack and prevent its spread in the first time.

The key work of protection of information security in the Company

(1) Cross-site firewall

(2) OA-Fab firewall

(3) Firewall on equipment

(4) The index of information security

4. Information exchange, education and training with SP-ISAC

Strengthen the cooperation with Science Park Information Security Information Sharing and Analysis Center (SP-ISAC) for information exchange and personnel information security education and training.

5. Expanding software and hardware backup

To avoid the harm of ransomware, the Company expands make a backup on equipment and strengthen the operational mechanism on backup.

6. The defense of endpoint detection

Planning the defense mechanism of endpoint detection in important machine rooms of the Company, to avoid Zero-day attacks.

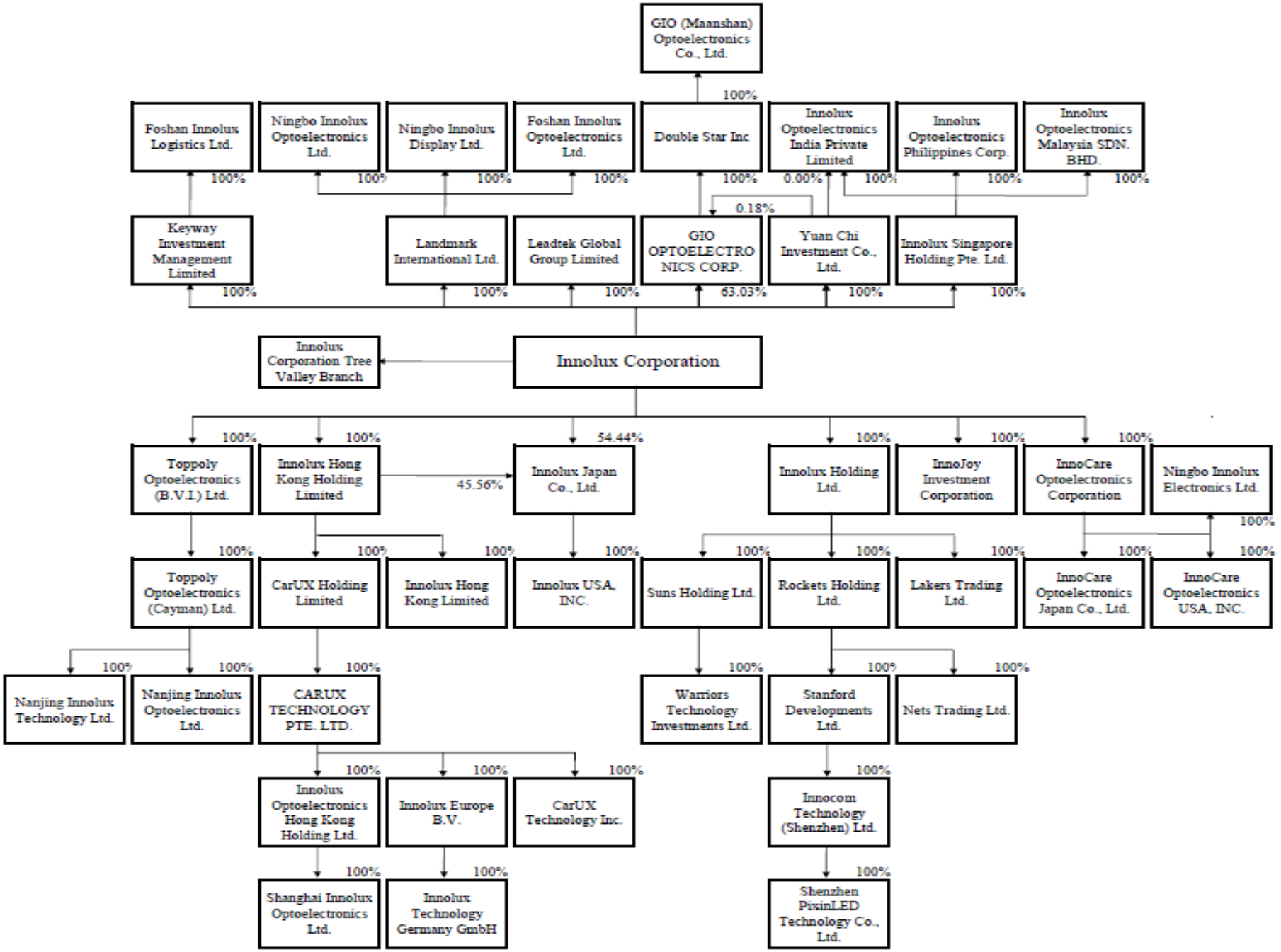
7. The development plan for sustainable operation of key equipment information security

Information security monitoring key asset management in production lines, and other technical availability, maintenance and operation mechanism, strengthen the security key machine energy information, such as network security, that cannot be patched critical vulnerabilities virtual machine repair and other proactive information security protection mechanisms. The information security protection and maintenance mechanism are integrated in the physical information security situation room to solve the information security protection problems of old machines and computers.

7.7 Other Important Matters: None.

VIII.Special Disclosure

8.1 Summary of Affiliated Companies



8.1.2 Innolux Subsidiaries

December 31, 2020

Company	Date of Incorporation	Address	Capital Stock	Business Activities
CarUX Holding Limited	Aug. 23,2019	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	USD$ 125,232	Controlling Company
CarUX Technology Pte. Ltd.	Oct. 2,2019	112 ROBINSON ROAD #05-01 ROBINSON 112 SINGAPORE 068902	USD$ 125,131,749	Controlling Company and Distributor
Double Star Inc.	Jul. 15,2009	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD$ 10,000,000	Controlling Company
InnoCare Optoelectronics Japan Co., Ltd.	Jun. 17,2019	Tokyo Metropolitan Central Ginza 1-chome 13-6 4F	JPY¥ 300,100,000	X-ray flat image sensor
InnoCare Optoelectronics USA, INC.	Feb. 9,2018	101 Metro Drive Suite 510, San Jose, CA 95110, United States	USD$ 900,000	X-ray flat image sensor
Innolux Europe B.V.	Mar. 8, 2006	Stationstraat 39G, 6411NK, Heerlen, The Netherlands	EUR€ 3,006,480	Controlling Company of Researching, developing and Testing
Innolux Holding Ltd.	Feb. 28, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 191,927,259	Controlling Company
Innolux Hong Kong Holding Limited	Dec. 14, 2005	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong	HKD$ 1,441,092,339	Controlling Company
Innolux Hong Kong Limited	Feb. 15, 2006	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong	HKD$ 453,342,352	Entrepot trade company
Innolux Japan Co., Ltd.	Aug. 20, 1991	8F, kowa kawasaki-nishiguchi Bldg., 66-2 horikawa-cho, Saiwai-ku, Kawasaki-City, Kanagawa 212-0013, Japan	JPY¥314,258,270	Operating TFT-LCD development, manufacture and sales
Innolux Optoelectronics Hong Kong Holding Ltd.	Nov. 16, 2001	Unit 2003, 20/F., Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong.	HKD$ 162,897,802	Controlling Company
Innolux Optoelectronics India Private Limited	Mar. 07,2018	701, Platina, Plot No. C-59, Platina G-Block, Bandra Kurla Complex, Bandra (E), Near Citi Bank, MUMBAI, Mumbai City, Maharashtra- MH, INDIA,400051	INR$ 1,440,955,000	Distribution company
Innolux Optoelectronics Malaysia SDN. BHD.	Nov. 06,2017	No 9-1, Jalan Putra Mahkota 7/4A, Putra Heights, 47650 Subang Jaya, Selangor Darul Ehsan, Malaysia	MYR$ 16,000,000	Manufacturing and distribution company
Innolux Optoelectronics Philippines CORP.	Jun. 26,2017	Km 23 West Service Road, South Superhighway, Alabang, Muntinlupa City, 1770, Philippines	PHP$ 50,000,000	Manufacturing and distribution company
Innolux Singapore Holding Pte. Ltd.	Jun. 28,2017	6 TEMASEK BOULEVARD, #09-05, SUNTEC TOWER FOUR, SINGAPORE (038986)	USD$ 25,400,000	Controlling Company
Innolux Technology Germany GmbH	Feb. 17, 2006	Kaiserswerther Strasse 115, D-40880 Ratingen, Germany	EUR€ 100,000	Testing & Maintenance Company
Innolux USA, INC.	May 9, 2002	101 Metro Drive Suite 510, San Jose, CA95110, United States	USD$ 11,842,010	Operating electronics parts and computer

Company	Date of Incorporation	Address	Capital Stock	Business Activities
				display sale
Keyway Investment Management Limited	Mar. 30, 2005	Portcullis TrustNet Chambers, P.O Box 1225, Apia, Samoa	USD$ 1,656,410	Controlling Company
Lakers Trading Ltd.	Jun. 4, 2004	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 1	Entrepot trade company
Landmark International Ltd.	Apr. 24, 2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 709,450,000	Controlling Company
Leadtek Global Group Limited	Mar. 30, 2005	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake's Highway, P.O. Box 3444, Road Town, VG1110, Tortola, British Virgin Islands	USD$ 50,000,000	Entrepot trade company
Nets Trading Ltd.	May 2, 2008	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 900,001	General Investment Industry
Rockets Holding Ltd.	Dec. 18, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 171,669,290	Controlling Company
Stanford Developments Ltd.	Aug. 12, 1999	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 164,000,000	Controlling Company
Suns Holding Ltd.	Dec. 18, 2006	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD$ 18,177,052	Controlling Company
Toppoly Optoelectronics (B.V.I.) Ltd.	Jul. 17, 2001	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD$ 146,847,000	Controlling Company
Toppoly Optoelectronics (Cayman) Ltd.	Jul. 17, 2001	Grand Pavilion, Hibiscus Way, 802 West Bay Road, P. O. Box 31119, KY1-1205, Cayman Islands	USD$ 146,817,000	Controlling Company
Warriors Technology Investments Ltd.	Jan. 3, 2007	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US$ 18,177,052	Investment activities
Shanghai Innolux Optoelectronics Ltd.	Jan. 9, 2006	No. 272-2, Ba Sheng Road, New Customs, Wai Gao Qiao Free Trade Zone, 200131 Pudong, Shanghai, China	USD$ 21,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Yuan Chi investment co., Ltd	Jul. 6, 2005	No.8, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	NTD$ 2,100,000,000	Investment activities
Foshan Innolux Optoelectronics Ltd.	Apr. 21, 2006	Xingye North Rd., Foshan Science & Technology Industry Garden, Foshan, Guangdong, 528325, China	USD$ 383,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Foshan Innolux Logistics Ltd.	Jul. 17, 2008	North Factory, Xingye Rd., nanhai Economic Zone, Foshan, Guangdong, 528325, China	USD$ 1,500,000	Storage services
nanjing Innolux Technology Ltd.	Oct. 24, 2007	No. 93, Fu Cheng West Road, Jiangning Economic and Technical Development Zone, nanjing, China	USD$ 2,100,000	Business of display and related product.
nanjing Innolux Optoelectronics Ltd.	May 23, 2001	No. 93, Fu Cheng West Road, Jiangning Economic and	USD$ 156,000,000	Manufacturing & selling LCD back-end

Company	Date of Incorporation	Address	Capital Stock	Business Activities
		Technical Development Zone, nanjing, China		module related technologies and products.
GIO(maan shan) Optoelectronics Corp.	Sep.15,2010	Cihu Economic Development Zone, Ma'anshan City	USD$ 10,000,000	Manufacturing
GIO Optoelectronics Corp.	Apr. 21,2004	No. 5, Titanggang Rd., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)	NTD$ 441,226,210	TFT-LCD related components manufacturing and sales
Shenzhen PixinLED Technology Co., Ltd.	Mar. 30,2018	5K, Block B, No. 8, Donghuan 2nd Road, Fukang Community, Longhua Street, Longhua District, Shenzhen, China	CNY¥ 10,000,000	Mini LED R&D and sales
InnoJoy Investment Corp.	Jun. 26, 2007	No.8, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	NTD$ 1,674,053,920	Investment activities
Innocom Technology (Shenzhen) Co., LTD	Jun. 24, 2004	1F, Zone 4, G2 Zone 2F A region, 3F, 4F and 5F Foxconn Technology Industrial Park E, Bao'an District, Shenzhen City, Guangdong Province, China	USD$ 164,000,000	Manufacturing & selling LCD back-end module related technologies and products.
CarUX Technology Inc.	Mar. 15,2019	Rm. A No. 12, nanke 8th Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.)	NTD$ 1,400,000,000	R & D, manufacturing and distribution companies
Ningbo Innolux Electronics Ltd.	Nov. 04,2015	No.8, Cao E River Rd., Ningbo Bonded Zone Building 2 2F	CNY¥ 15,370,000	Selling LCD back-end module related technologies and products.
Ningbo Innolux Optoelectronics Co., LTD	Dec. 14, 2004	No.16, YangZi River North Rd., Ningbo Export Processing Zone, 315800, China; No. 6, YangZi River South Rd., Ningbo Export Processing Zone, 315800, China	USD$ 310,000,000	Manufacturing & selling LCD back-end module related technologies and products.
Ningbo Innolux Display LTD	Dec. 05, 2006	No.8, Cao E River Rd., Ningbo Bonded Zone	USD$ 160,000,000	Manufacturing & selling LCD back-end module related technologies and products.
InnoCare Optoelectronics Corporation	Apr. 02,2019	Rm. B, No. 2, Sec. 2, Huanxi Rd., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)	NTD$ 200,000,000	R & D, manufacturing and distribution companies

8.1.3 Shareholders in Common of INX and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Business Scope of INX and Its Subsidiaries:

The Company and its subsidiary operating business include the development, manufacture, after service and sale of TFT-LCD.

By the layout of globalization, combine the distribution of Taiwan and China production base; provide downstream manufacturer or panel module manufacturer to have high flexibility supply capacity.

There are a small number of affiliated companies are setting investment business as operating scope, to strength vertical integration and strategy investment and coordinate the Company’s future operation.

8.1.5 Rosters of Directors, Supervisors, and Presidents of INX's Subsidiaries:

As of 12/31/2020

Company	Title	Name	Shareholding	
			Shares	% (Investment Holding)
CarUX Holding Limited	Director	Jin-Yang Hung	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Ching-Lung Ting	—	100%
CarUX Technology Pte. Ltd.	Director	Ching-Lung Ting	—	100%
	Director	Jin-Yang Hung	—	100%
	Director	Ngoo Sin Hung Justin	—	100%
Double Star Inc.	Director	Ching-Lung Ting	—	63%
InnoCare Optoelectronics Japan Co., Ltd.	Director	Jhih-Sheng Li	—	100%
	Director	Hsiu-huan Li	—	100%
	Director	Li-Wei Hsu	—	100%
InnoCare Optoelectronics USA, INC.	Director	Ishii Junichi	—	100%
Innolux Europe B.V.	Director	Tien-Jen Lin	—	100%
	Director	van Riel, Lucien Franciscus Henricus	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Holding Ltd.	Director	Jin-Yang Hung	—	100%
Innolux Hong Kong Holding Limited	Director	Jin-Yang Hung	—	100%
	Director	Chao-Hsien Liu	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Hong Kong Limited	Director	Jin-Yang Hung	—	100%
	Director	Pei-Yu Lu	—	100%
	Director	Rou-Li Cheng	—	100%
Innolux Japan Co., Ltd.	Director	Makoto Kaneda	—	100%
	Director	Chu-Hsiang Yang	—	100%
	Director	Ching-Lung Ting	—	100%
	Supervisor	Kida Masukichi	—	100%
	Supervisor	Jun-Hao Peng	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Innolux Optoelectronics Hong Kong Holding Ltd.	Director	Jin-Yang Hung	—	100%
	Director	Shu-Mei Ho	—	100%
	Director	Jun-Yi Yu	—	100%
Innolux Optoelectronics India Private Limited	Director	Wun-Sian Li	—	100%
	Director	Cheng-Chung Chiang	—	100%
	Director	AMIT TIWARI	—	100%
Innolux Optpelectronics Malaysia SDN. BHD.	Director	Rou-Li Cheng	—	100%
	Director	Cheng-Chung Chiang	—	100%
	Director	Lee Kit Ming	—	100%
Innolux Optoelectronics Philippines Corp.	Director	Chin-Lung Ting	—	100%
	Director	Cheng-Chung Chiang	—	100%
	Director	Cherrylyn T. Singzon	—	100%
Innolux Singapore Holding Pte. Ltd.	Director	Chu-Hsiang Yang	—	100%
	Director	Cheng-Chung Chiang	—	100%
	Director	Tan Sze Lian Celine	—	100%
Innolux Technology Germany GmbH	Director	Tien-Jen Lin	—	100%
	Director	van Riel, Lucien Franciscus Henricus	—	100%
	Director	Adrianus Gosuinus Marie Kersten	—	100%
Innolux USA, INC.	Director	Yu-Hao Wu	—	100%
	Director	Kanada Makoto	—	100%
	Director	Sato Takahiro	—	100%
Keyway Investment Management Limited	Director	Jin-Yang Hung	—	100%

Company	Title	Name	Shareholding	
			Shares	% (Investment Holding)
Lakers Trading Ltd.	Director	Jin-Yang Hung	—	100%
Landmark International Ltd.	Director	Jin-Yang Hung	—	100%
Leadtek Global Group Limited	Director	Jin-Yang Hung	—	100%
Nets Trading Ltd.	Director	Guang-Siang Li	—	100%
Rockets Holding Ltd.	Director	Jin-Yang Hung	—	100%
Stanford Developments Ltd.	Director	Jin-Yang Hung	—	100%
Suns Holding Ltd.	Director	Jin-Yang Hung	—	100%
Toppoly Optoelectronics (B.V.I.) Ltd.	Director	Jin-Yang Hung	—	100%
Toppoly Optoelectronics (Cayman) Ltd.	Director	Jin-Yang Hung	—	100%
Warriors Technology Investments Ltd.	Director	Jin-Yang Hung	—	100%
Shanghai Innolux Optoelectronics Ltd	Chairman	Zhi-Yuan Tsai	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
Yuan Chi investment co., Ltd	Chairman	Innolux Corporation Representative - Jin-Yang Hung	—	100%
	Director	Innolux Corporation Representative –Chu-Hsiang Yang	—	100%
	Director	Innolux Corporation Representative - Chien-Lang Lo	—	100%
Foshan Innolux Optoelectronics Ltd.	Chairman	Ching-Hui Lin	—	100%
	Director	Quyang ,Xiao-Min	—	100%
	Director	Jun-Yi Yu	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Foshan Innolux Logistics Ltd.	Chairman	Ching-Hui Lin	—	100%
	Director	Qiong Gu	—	100%
	Director	Ai-Qun Wang	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
nanjing Innolux Technology Ltd.	Chairman	Shi-Xian Hsu	—	100%
	Director	Chin-Yuan Chang	—	100%
	Director	Chih-Chiang Lu	—	100%
	Supervisor	Kun Ma	—	100%
nanjing Innolux Optoelectronics Ltd.	Chairman	Shi-Xian Hsu	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
	Supervisor	Kun Ma	—	100%
GIO(maan shan) Optoelectronics Corp.	Chairman	Cheng-Che Pan	—	63%
	Director	Min-Chih Fan	—	63%
	Director	Chi-Chih Hsu	—	63%
	Supervisor	Yu-Yuan Huang	—	63%
GIO Optoelectronics Corp.	Chairman	Ching-Lung Ting	326,529	1%
	Director	INX Representative - Chao-Hsien Liu	27,812,188	63%
	Director	INX Representative - Syuan-Da Liu	27,812,188	63%
	Director	Yuanding Venture Capital Co., Ltd.	198,275	—
	Director	Chiu-Lin Chen	2,123	—
	Supervisor	Chi-Huang Chen	9,759	—
	Supervisor	Lun-Pin Tseng	7,180	—
Shenzhen PixinLED Technology Co.,Ltd.	Chairman	Chin-Lung Ting	—	100%
	Supervisor	Hua-Rui Lin	—	100%
InnoJoy Investment Corp	Chairman	INX Representative - Jin-Yang Hung	167,405,392	100%

Company	Title	Name	Shareholding	
			Shares	% (Investment Holding)
	Director	INX Representative - Chu-Hsiang Yang	167,405,392	100%
	Director	INX Representative –Chien-Lang Lo	167,405,392	100%
	Supervisor	INX Representative - Chin-Yuan Chang	167,405,392	100%
Innocom Technology (Shenzhen) Co., LTD	Chairman	Ren-Yong Chang	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chin-Yuan Chang	—	100%
CarUX Technology Inc.	Chairman	INX Representative - Ching-Lung Ting	140,000,000	100%
	Director	INX Representative - Chu-Hsiang Yang	140,000,000	100%
	Director	INX Representative - Jin-Yang Hung	140,000,000	100%
	Supervisor	INX Representative - Chao-Hsien Liu	140,000,000	100%
Ningbo Innolux Electronics Ltd.	Chairman	Chih-Sheng Lee	—	100%
	Supervisor	Chao-Hsien Liu	—	100%
Ningbo Innolux Optoelectronics Co., LTD	Chairman	Kuo-Hsiung Kuo	—	100%
	Director	Jun-Yi Yu	—	100%
	Director	Chien-Lang Lo	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
Ningbo Innolux Display LTD	Chairman	Kuo-Hsiung Kuo	—	100%
	Director	Chien-Lang Lo	—	100%
	Director	Cheng-Chung Chiang	—	100%
	Supervisor	Chin-Yuan Chang	—	100%
InnoCare Optoelectronics Corporation	Chairman	INX Representative - Chu-Hsiang Yang	20,000,000	100%
	Director	INX Representative - Tai-Chi Pan	20,000,000	100%
	Director	INX Representative –Chien-Lang Lo	20,000,000	100%
	Supervisor	INX Representative - Chao-Hsien Liu	20,000,000	100%

8.1.6 Operational Highlights of INX Subsidiaries

Unit: NT$ thousands, 12/31/2020

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
CarUX Holding Limited	3,566,600	3,895,283	—	3,895,283	—	(101)	390,504	3.12
CarUX Technology Pte. Ltd.	3,563,752	5,704,884	1,812,371	3,892,513	2,483,712	86,914	390,593	3.12
Double Star Inc.	284,800	99,349	—	99,349	—	—	(2,369)	—
InnoCare Optoelectronics Japan Co., Ltd.	82,918	541,057	422,529	118,528	1,724,930	20,255	34,426	1,147.15
InnoCare Optoelectronics USA, INC.	25,632	268,335	230,440	37,895	711,003	15,121	11,712	13.01
Innolux Europe B.V.	105,287	553,037	116,425	436,612	931,434	53,148	41,862	111.39
Innolux Holding Ltd.	5,466,088	18,213,823	—	18,213,825	—	—	222,572	1.23
Innolux Hong Kong Holding Limited	5,293,132	6,857,505	—	6,857,505	—	—	855,636	0.74
Innolux Hong Kong Limited	1,665,126	16,120,991	14,907,794	1,213,197	44,885,876	434,255	434,366	12.41
Innolux Japan Co., Ltd.	86,830	3,987,921	150,597	3,837,324	447,283	18,525	95,805	532,249.70
Innolux Optoelectronics Hong Kong Holding Ltd.	598,324	1,872,445	—	1,872,445	—	—	242,705	1.49
Innolux Optoelectronics India Private Limited	559,955	184,771	84,714	100,057	49,244	(185,868)	(205,675)	(1.43)
Innolux Optpelectronics Malaysia SDN. BHD.	113,550	115,969	456	115,513	—	(586)	394	0.02
Innolux Optoelectronics Philippines Corp.	29,645	28,460	386	28,074	—	(508)	(274)	(0.05)
Innolux Singapore Holding Pte. Ltd.	723,392	248,806	133	248,673	—	(435)	(205,278)	(8.08)
Innolux Technology Germany GmbH	3,502	44,590	27,169	17,421	35,945	3,622	2,748	27.48
Innolux USA, Inc.	337,260	7,045,309	6,219,217	826,092	20,758,856	134,664	96,636	7,525.00
Keyway Investment Management Limited	47,175	93,365	—	93,365	—	—	3,041	1.84
Lakers Trading Ltd.	—	769,106	552,129	216,977	26,038,695	(301,705)	—	—
Landmark International Ltd.	20,205,136	46,506,951	—	46,506,951	—	—	971,588	1.37
Leadtek Global Group Limited	1,424,000	1,424,059	—	1,424,059	10,333,370	(12)	61	—
Nets Trading Ltd.	25,632	25,363	—	25,363	—	—	(507)	(0.56)
Rockets Holding Ltd.	4,889,141	11,744,047	—	11,744,047	—	—	140,264	0.87
Stanford Developments Ltd.	4,670,720	11,718,556	—	11,718,556	—	—	140,771	0.86
Suns Holding Ltd.	517,682	6,252,728	—	6,252,728	—	—	82,308	4.53
Toppoly Optoelectronics (B.V.I.) Ltd.	4,182,203	6,051,929	—	6,051,929	—	—	88,589	0.6
Toppoly Optoelectronics (Cayman) Ltd.	4,181,348	6,051,597	—	6,051,597	—	—	88,589	0.6
Warriors Technology Investments Ltd.	517,682	6,252,726	—	6,252,726	—	—	82,308	4.53
Shanghai Innolux Optoelectronics Ltd.	598,080	6,503,119	4,630,674	1,872,445	11,096,078	220,548	242,705	—
Yuan Chi investment co., Ltd	2,100,000	879,839	167	879,672	—	(245)	3,744	—
Foshan Innolux	10,907,840	43,082,342	22,345,733	20,736,609	64,220,095	864,057	192,623	—

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Optoelectronics Ltd.								
Foshan Innolux Logistics Ltd.	42,720	92,767	4,041	88,726	32,240	2,020	2,998	—
nanjing Innolux Technology Ltd.	59,808	2,502,292	1,892,146	610,146	4,325,226	843	70,601	—
nanjing Innolux Optoelectronics Ltd.	4,442,880	14,913,258	9,471,827	5,441,431	20,841,498	277,507	17,988	—
GIO(maan shan) Optoelectronics Corp.	284,800	99,081	20	99,061	—	(306)	(2,370)	—
GIO Optoelectronics Corp.	441,226	848,141	370,424	477,717	82,725	(57,535)	10,003	—
Shenzhen PixinLED Technology Co.,Ltd.	43,648	40,552	591	39,961	2,702	(3,243)	(2,618)	—
InnoJoy Investment Corp.	1,674,054	2,263,355	133	2,263,222	—	(225)	99,424	0.59
Innocom Technology (Shenzhen) Co., LTD	4,670,720	12,262,528	544,020	11,718,508	225,607	5,503	140,770	—
CarUX Technology Inc.	1,400,000	2,239,872	803,198	1,436,674	1,388,848	38,413	32,495	0.23
Ningbo Innolux Electronics Ltd.	67,087	202,259	97,204	105,055	429,382	22,812	26,528	—
Ningbo Innolux Optoelectronics Co., LTD	8,828,800	31,859,649	11,353,499	20,506,150	46,745,970	696,498	417,233	—
Ningbo Innolux Display LTD	4,556,800	16,626,300	11,363,185	5,263,115	37,204,118	617,902	359,418	—
InnoCare Optoelectronics Corporation	200,000	1,934,476	1,491,374	443,102	2,290,751	97,532	167,269	8.36

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Special Notes: None.

IX. Materially might affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, such situations shall be listed one by one: None.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Innolux Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Innolux corporation and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of The Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements of the Group for the year ended December 31, 2020 are outlined as follows:

Inventory valuation

Description

The industry is characterized in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the launch of new products may cause major changes in consumer demand or due to the update of production approach, the existing products may become obsolete or no longer meet market needs. The Group has evaluated the inventory by taking into account of allowance, obsoleteness or trivial sales amount and the cost has been written down to the net realizable value. The abovementioned allowance for inventory valuation losses mainly arose from the excess of the cost of inventory over the net realizable value of inventory. For details of inventory, please refer to Note 6(7). There is a risk of the excess of the cost of inventory over the net realizable value of inventory as a result of that the amounts of inventories are material and the sales prices of related products may have significant fluctuations because of market demand; we consider inventory valuation a key audit matter.

How our audit addressed the matter

We compared financial statements to ascertain the provision policy on allowance for inventory valuation losses has been consistently applied and assessed the reasonableness of the provision policy; obtained the net realizable value report of inventory used by management for evaluation and obtained an understanding of sales price basis adopted by management for abovementioned inventory along with the related supporting documents; sampled individual inventory item numbers and checked them against historical data on inventory clearance and discount to assess the reasonableness of net realizable value and the appropriateness of valuation basis.

Valuation and impairment of goodwill and property, plant and equipment

Description

For details of the impairment valuation of goodwill and property, plant and equipment, please refer to Notes 6(9) and 6(12).

The Group measures the recoverable amount of the cash generating unit to determine whether goodwill and property, plant and equipment may be impaired based on future cash flows with appropriate discount rates, and future cash flows are estimated based on how assets are utilized, duration years of assets and

projected income and expenses in the future. As these estimates, which are uncertain and dependent upon significant judgement from management, involve several assumptions such as determination of discount rates, expected growth rate and future financial projections, we consider management's assessment of impairment of goodwill and property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed the key assumptions used by management in estimating expected future cash flows, including the reasonableness of expected operating revenue, gross profit, changes in expenses, and the basic assumptions applied in expected future cash flows. We also examined the parameters of discount rates, including the risk-free rate of return on equity capital, the risk factor of the industry and the rate of return on similar investments in the market.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Innolux Corporation as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
February 4, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

	Assets	Notes	December 31, 2020	December 31, 2019
	Current Assets			
1100	Cash and cash equivalents	6(1)	$ 26,532,083	$ 34,732,975
1110	Financial assets at fair value through profit or loss - current	6(2)	706,299	283,906
1136	Financial assets at amortized cost - current	6(4)	42,687,746	19,704,149
1170	Accounts receivable, net	6(5)	49,897,758	39,889,807
1180	Accounts receivable, net - related parties	7	2,224,157	2,488,519
1200	Other receivables	6(2)	2,980,756	848,402
130X	Inventory	6(7)	30,865,270	30,439,076
1410	Prepayments		3,119,861	4,597,608
1479	Other current assets	8	148,377	133,807
11XX	**Total current assets**		159,162,307	133,118,249
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	3,480,182	3,044,756
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	4,887,681	4,268,485
1550	Investments accounted for under equity method	6(8)	1,246,234	1,333,570
1600	Property, plant and equipment	6(9), 7 and 8	178,901,675	194,382,436
1755	Right-of-use assets	6(10)	5,547,909	6,095,351
1760	Investment property, net	6(11)	499,444	527,232
1780	Intangible assets	6(12) and 8	17,506,984	17,577,644
1840	Deferred income tax assets	6(30)	7,121,962	7,349,810
1990	Other non-current assets	6(9) and 8	1,205,459	2,066,813
15XX	**Total non-current assets**		220,397,530	236,646,097
1XXX	**Total assets**		$ 379,559,837	$ 369,764,346

(Continued)

	Liabilities and Equity	Notes	December 31, 2020	December 31, 2019
	Current Liabilities			
2120	Financial liabilities at fair value through profit or loss - current	6(2)	$ 3,222,134	$ 345,463
2170	Accounts payable		45,839,540	47,656,235
2180	Accounts payable - related parties	7	1,720,931	3,784,991
2200	Other payables	6(13) and 7	25,677,541	28,622,732
2230	Current income tax liabilities		1,581,635	2,311,481
2250	Provisions - current	6(18) and 9	6,152,983	6,775,927
2280	Lease liabilities - current		201,073	453,848
2320	Long-term liabilities, current portion	6(14)(15)	19,367,206	16,022,013
2399	Other current liabilities		5,407,605	4,845,455
21XX	**Total current liabilities**		109,170,648	110,818,145
	Non-current liabilities			
2530	Corporate bonds payable	6(14)	5,374,293	97,018
2540	Long-term borrowings	6(15)	20,384,502	19,604,768
2570	Deferred income tax liabilities	6(30)	1,608,990	1,465,526
2580	Lease liabilities - non-current		4,894,091	4,977,024
2600	Other non-current liabilities	6(16)	560,267	691,836
25XX	**Total non-current liabilities**		32,822,143	26,836,172
2XXX	**Total liabilities**		141,992,791	137,654,317
	Equity attributable to owners of the parent			
	Share capital	6(19)		
3110	Share capital - common stock		97,110,720	97,110,720
3130	Certificates of entitlement to new shares from convertible bonds		2,293,612	-
3200	Capital surplus	6(20)	99,707,996	100,362,379
	Retained earnings	6(21)		
3310	Legal reserve		7,870,713	7,870,713
3320	Special reserve		7,325,437	4,663,463
3350	Unappropriated retained earnings		29,120,853	29,864,446
3400	Other equity interest	6(22)	(6,059,671)	(7,325,437)
3500	Treasury shares	6(19)	-	(618,580)
31XX	**Equity attributable to owners of the parent**		237,369,660	231,927,704
36XX	**Non-controlling interests**		197,386	182,325
3XXX	**Total equity**		237,567,046	232,110,029
3X2X	**Total liabilities and equity**		$ 379,559,837	$ 369,764,346

	Items	Notes	2020	2019
4000	Sales revenue	6(23) and 7	$ 269,911,051	$ 251,971,209
5000	Operating costs	6(7)(28) and 7	(246,077,953)	(248,957,129)
5900	Net operating margin		23,833,098	3,014,080
	Operating expenses	6(28)		
6100	Selling expenses		(3,383,316)	(3,676,803)
6200	General and administrative expenses		(6,488,472)	(6,806,373)
6300	Research and development expenses		(12,149,513)	(12,464,800)
6000	Total operating expenses		(22,021,301)	(22,947,976)
6900	Operating profit (loss)		1,811,797	(19,933,896)
	Non-operating income and expenses			
7100	Interest income	6(24)	383,137	1,030,073
7010	Other income	6(25)	2,714,290	2,226,786
7020	Other gains and losses	6(26)	(1,502,138)	876,046
7050	Finance costs	6(27)	(1,026,516)	(1,031,733)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	176,561	307,296
7000	Total non-operating income and expenses		745,334	3,408,468
7900	**Profit (loss) before income tax**		2,557,131	(16,525,428)
7950	Income tax expense	6(30)	(917,307)	(914,844)
8200	**Profit (loss) for the year**		$ 1,639,824	($ 17,440,272)

(Continued)

	Items	Notes	2020	2019
	Other comprehensive income (loss) (net)			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Remeasurement of defined benefit plans	6(16)	$ 57,639	($ 58,246)
8316	Unrealized gains on financial assets at fair value through other comprehensive income	6(22)	881,733	299,431
8349	Income tax (expense) benefit related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(9,886)	86,781
8310	Components of other comprehensive income that will not be reclassified to profit or loss		929,486	327,966
	Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	6(22)	681,556	(2,951,930)
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(8)(22)	(62,442)	(85,365)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		619,114	(3,037,295)
8300	**Other comprehensive income (loss) for the year, net of tax**		$ 1,548,600	($ 2,709,329)
8500	**Total comprehensive income (loss) for the year**		$ 3,188,424	($ 20,149,601)
	Profit (loss) attributable to:			
8610	Owners of the parent		$ 1,636,144	($ 17,442,990)
8620	Non-controlling interest		$ 3,680	$ 2,718
	Other comprehensive income (loss) attributable to:			
8710	Owners of the parent		$ 3,184,147	($ 20,151,561)
8720	Non-controlling interest		$ 4,277	$ 1,960
	Earnings (loss) per share (in dollars)	6(31)		
9750	Basic earnings (loss) per share		$ 0.17	($ 1.77)
9850	Diluted earnings (loss) per share		$ 0.17	($ 1.77)

2019														
Balance at January 1		$ 99,520,720	$ -	$ 99,648,115	$ 7,648,437	$ 1,090,721	$ 51,746,175	($ 6,461,149)	$ 1,797,686	$ -	$ 254,990,705	$ -	$ 254,990,705
(Loss) profit for the year		-	-	-	-	-	(17,442,990)	-	-	-	(17,442,990)	2,718	(17,440,272)
Other comprehensive (loss) income for the year	6(22)	-	-	-	-	-	(46,597)	(3,036,537)	374,563	-	(2,708,571)	(758)	(2,709,329)
Total comprehensive (loss) income		-	-	-	-	-	(17,489,587)	(3,036,537)	374,563	-	(20,151,561)	1,960	(20,149,601)
Appropriation of 2018 earnings:	6(21)												
Legal reserve		-	-	-	222,276	-	(222,276)	-	-	-	-	-	-
Special reserve		-	-	-	-	3,572,742	(3,572,742)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(597,124)	-	-	-	(597,124)	-	(597,124)
Recognition of change in equity of associates in proportion to the Group's ownership	6(20)	-	-	(14,755)	-	-	-	-	-	-	(14,755)	-	(14,755)
Recognition of changes in ownership interests in subsidiaries	6(20)	-	-	24	-	-	-	-	-	-	24	14	38
Purchase of treasury shares	6(19)	-	-	-	-	-	-	-	-	(2,299,624)	(2,299,624)	-	(2,299,624)
Cancellation of treasury shares	6(19)(20)	(2,410,000)	-	728,956	-	-	-	-	-	1,681,044	-	-	-
Increase in non-controlling interests	6(32)	-	-	-	-	-	-	-	-	-	-	180,351	180,351
Others	6(20)	-	-	39	-	-	-	-	-	-	39	-	39
Balance at December 31		$ 97,110,720	$ -	$ 100,362,379	$ 7,870,713	$ 4,663,463	$ 29,864,446	($ 9,497,686)	$ 2,172,249	($ 618,580)	$ 231,927,704	$ 182,325	$ 232,110,029
2020													
Balance at January 1		$ 97,110,720	$ -	$ 100,362,379	$ 7,870,713	$ 4,663,463	$ 29,864,446	($ 9,497,686)	$ 2,172,249	($ 618,580)	$ 231,927,704	$ 182,325	$ 232,110,029
Profit for the year		-	-	-	-	-	1,636,144	-	-	-	1,636,144	3,680	1,639,824
Other comprehensive income for the year	6(22)	-	-	-	-	-	46,111	618,517	883,375	-	1,548,003	597	1,548,600
Total comprehensive income		-	-	-	-	-	1,682,255	618,517	883,375	-	3,184,147	4,277	3,188,424
Appropriation of 2019 earnings:	6(21)												
Special reserve		-	-	-	-	2,661,974	(2,661,974)	-	-	-	-	-	-
Cash dividends from capital surplus	6(20)	-	-	(963,107)	-	-	-	-	-	-	(963,107)	-	(963,107)
Recognition of change in equity of associates in proportion to the Group's ownership	6(20)	-	-	21,005	-	-	-	-	-	-	21,005	-	21,005
Conversion of convertible bonds	6(19)(20)	-	2,293,612	243,805	-	-	-	-	-	-	2,537,417	-	2,537,417
Recognition of changes in ownership interests in subsidiaries	6(20)	-	-	38	-	-	-	-	-	-	38	14,031	14,069
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(3)	-	-	-	-	-	236,126	-	(236,126)	-	-	-	-
Treasury shares transferred to employees	6(19)(20)	-	-	42,182	-	-	-	-	-	618,580	660,762	-	660,762
Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(3,247)	(3,247)
Others	6(20)	-	-	1,694	-	-	-	-	-	-	1,694	-	1,694
Balance at December 31		$ 97,110,720	$ 2,293,612	$ 99,707,996	$ 7,870,713	$ 7,325,437	$ 29,120,853	($ 8,879,169)	$ 2,819,498	$ -	$ 237,369,660	$ 197,386	$ 237,567,046

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		$ 2,557,131	($ 16,525,428)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(28)	35,568,103	35,129,951
Net gain on financial assets or liabilities at fair value through profit or loss		(267,827)	(1,340,458)
Compensation cost of share-based payments	6(17)	395,669	-
Share of profit of associates and joint ventures accounted for under equity method	6(8)	(176,561)	(307,296)
Gain from disposal of investments	6(26)	-	(21,069)
(Gain) loss on disposal of property, plant and equipment	6(26)	(7,709)	219,607
Gain on lease modification		-	(951)
Interest expense	6(27)	1,026,516	1,031,733
Interest income	6(24)	(383,137)	(1,030,073)
Dividend income	6(25)	(198,526)	(123,952)
Unrealized foreign exchange (gain) loss		(250,864)	60,811
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		(754,282)	436,671
Accounts receivable		(10,230,321)	5,182,421
Accounts receivable - related parties		264,362	1,972,618
Other receivables		659,865	582,673
Inventories		(426,194)	417,698
Prepayments		218,974	(2,773,889)
Other current assets		(33,856)	34,906
Changes in operating liabilities			
Accounts payable		(1,594,325)	(4,695,964)
Accounts payable - related parties		(2,064,060)	1,132,690
Other payables		(225,269)	(2,467,509)
Provisions - current		(622,944)	(6,987)
Other current liabilities		562,150	573,285
Other non-current liabilities		(49,414)	(3,285)
Cash inflow generated from operations		23,967,481	17,478,203
Cash paid for income tax		(1,563,328)	(3,642,821)
Net cash flows from operating activities		22,404,153	13,835,382

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets or liabilities at fair value through profit or loss		($ 447,862)	($ 148,874)
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	1,307,261	35,585
Acquisition of investments in equity instruments measured at fair value through other comprehensive income		(7,328)	(147,364)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	6(3)	277,836	1,500
(Increase) decrease in financial assets at amortized cost - current		(22,988,048)	31,659,162
(Increase) decrease in refundable deposits		(447,386)	55,552
Acquisition of property, plant and equipment	6(33)	(20,673,368)	(24,804,629)
Proceeds from disposal of property, plant and equipment		258,342	38,597
Acquisition of intangible assets	6(12)	(26,076)	(49,825)
Net cash inflows from business combination	6(33)	-	330,546
Interest received		391,537	1,095,236
Dividends received		420,986	693,976
Net cash flows (used in) from investing activities		(41,934,106)	8,759,462
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		20,000,000	500,000
Repayments of long-term borrowings		(16,046,000)	(16,227,000)
Proceeds from issuance of bonds	6(34)	8,900,934	-
Interest paid		(676,496)	(985,651)
Repayment of the principal portion of lease liabilities		(308,894)	(463,805)
Cash paid from capital surplus	6(21)	(963,107)	-
Cash dividends paid	6(21)	-	(597,124)
Cash dividends paid to non-controlling interests		(3,247)	-
Treasury shares transferred to employees		279,162	-
Payments to acquire treasury shares	6(19)	-	(2,299,624)
Others	6(20)	1,694	39
Net cash flows from (used in) financing activities		11,184,046	(20,073,165)
Effect of changes in foreign currency exchange		145,015	(1,636,032)
Net (decrease) increase in cash and cash equivalents		(8,200,892)	885,647
Cash and cash equivalents at beginning of year		34,732,975	33,847,328
Cash and cash equivalents at end of year		$ 26,532,083	$ 34,732,975

INNOLUX CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Innolux Corporation (the "Company") was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in the Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the "TSEC") in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2) The Company and its subsidiaries (the "Group") engage in the research, development, design, manufacture and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 4, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Significant inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
Innolux Corporation	Innolux Holding Limited	Investment holdings	100	100	-
	Keyway Investment Management Limited	Investment holdings	100	100	-
	Landmark International Ltd.	Investment holdings	100	100	-
	Toppoly Optoelectronics (B.V.I.) Ltd.	Investment holdings	100	100	-
	Innolux Hong Kong Holding Limited	Investment holdings	100	100	-
	Leadtek Global Group Limited	Distribution company	100	100	-
	Yuan Chi Investment Co., Ltd.	Investment company	100	100	-
	InnoJoy Investment Corporation	Investment company	100	100	-
	Innolux Japan Co., Ltd.	Investment, R&D and distribution company	54	54	-
	Innolux Singapore Holding Pte. Ltd.	Investment holdings	100	100	-
	CarUX Technology Inc.	R&D, manufacturing and distribution company	-	100	(a)
	InnoCare Optoelectronics Corporation	Investment, R&D, manufacturing and distribution company	100	100	-
	GIO Optoelectronics Corp.	Investment, R&D, manufacturing and distribution company	63	63	-
Innolux Holding Limited	Rockets Holding Limited	Investment holdings	100	100	-
	Suns Holding Ltd	Investment holdings	100	100	-
	Lakers Trading Limited	Distribution company	100	100	-
Keyway Investment Management Limited	Foshan Innolux Logistics Ltd.	Warehousing company	100	100	-

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
Landmark International Ltd.	Ningbo Innolux Optoelectronics Ltd.	Processing company	100	100	-
	Foshan Innolux Optoelectronics Ltd.	Processing company	100	100	-
	Ningbo Innolux Display Ltd.	Processing company	100	100	-
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Investment holdings	100	100	-
Innolux Hong Kong Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investment holdings	-	100	(a)
	Innolux Hong Kong Limited	Distribution company	100	100	-
	Innolux Europe B.V.	Investment, distribution, and R&D testing company	-	100	(a)
	Innolux Japan Co., Ltd.	Investment, R&D and distribution company	46	46	-
	CarUX Holding Limited	Investment holdings	100	100	-
Innolux Japan Co., Ltd.	Innolux USA, Inc.	Distribution company	100	100	-
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics India Private Limited	Distribution company	100	100	-
	Innolux Optoelectronics Philippines Corp.	Manufacturing and distribution company	100	100	-
	Innolux Optoelectronics Malaysia SDN. BHD.	Manufacturing and distribution company	100	100	-
Rockets Holding Limited	Stanford Developments Limited	Investment holdings	100	100	-
	Nets Trading Ltd.	Investment company	100	100	-
Suns Holding Ltd	Warriors Technology Investments Ltd	Investment company	100	100	-
Toppoly Optoelectronics (Cayman) Ltd.	Nanjing Innolux Technology Ltd.	Distribution company	100	100	-
	Nanjing Innolux Optoelectronics Ltd.	Processing company	100	100	-
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Investment and distribution company	100	100	-
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Investment holdings	100	-	(a)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Investment, distribution, and R&D testing company	100	-	(a)
	CarUX Technology Inc.	R&D, manufacturing and distribution company	100	-	(a)
Innolux Optoelectronics Hong Kong Holding Limited	Shanghai Innolux Optoelectronics Ltd.	Processing company	100	100	-
Innolux Europe B.V.	Innolux Technology Germany GmbH	Testing and maintenance company	100	100	-
Stanford Developments Limited	Innocom Technology (Shenzhen) Co., Ltd.	Processing company	100	100	-
Ningbo Innolux Display Ltd.	Ningbo Innolux Electornics Ltd.	Distribution company	-	100	(d)
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Flent Electornics Ltd.	Distribution company	-	100	(b)
Foshan Innolux Optoelectronics Ltd.	Foshan Innolux Flent Electornics Ltd.	Distribution company	-	100	(b)
Innocom Technology (Shenzhen) Co.,	Shenzhen PixinLED Technology Co., LTD.	R&D and distribution company	100	100	-
	Innolux Automations and Intelligence Systems (ShenZhen) Co., Ltd.	R&D and distribution company	-	100	(c)
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Distribution company	100	100	-
	InnoCare Optoelectronics USA, INC.	Distribution company	100	100	-
	Ningbo Innolux Electornics Ltd.	Distribution company	100	-	(d)
GIO Optoelectronics Corp.	Double Star Inc.	Investment holdings	100	100	-
	GIO (Maanshan) Optoelectronics Co., Ltd.	Processing company	100	100	-

(a) In the first quarter of 2020, CarUX Technology Pte. Ltd. obtained 100% equity interest in Innolux Optoelectronics Hong Kong Holding Limited, Innolux Europe B.V. and CarUX Technology Inc. as the Group adjusted the investment structure.

(b) In the second quarter of 2020, Ningbo Innolux Flent Electornics Ltd. and Foshan Innolux Flent Electornics Ltd. had completed liquidation and dissolution.

(c) In the fourth quarter of 2020, Innolux Automations and Intelligence Systems (ShenZhen) Co., Ltd. had completed liquidation and dissolution.

(d) In the fourth quarter of 2020, InnoCare Optoelectronics Corporation obtained 100% equity interest in Ningbo Innolux Electornics Ltd. as the Group adjusted the investment structure.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognized in other comprehensive income.

(11) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~51 years
Machinery and equipment	5~11 years
Other equipment	2~6 years

(17) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 ~ 50 years.

(19) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Patent, royalties and other intangible assets are amortized on a straight-line basis over their estimated useful lives of 2 ~ 10 years.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer

exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(24) Convertible bonds payable

Convertible bonds which are compound financial instruments

A. Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable upon issuance as a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The host contracts of bonds are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and is subsequently amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(b) The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.

(c) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(d) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

Convertible bonds which are hybrid financial instruments

B. Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares, but not exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded conversion options, call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds are initially recognized at the residual value of total issue price less the amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.

(c) Any transaction costs directly attributable to the issuance are allocated to each liability component in proportion to the initial carrying amount of each abovementioned item.

(d) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component.

(25) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(26) Provisions

Provisions (including warranties, litigation, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(30) Treasury shares

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(31) Revenue recognition

A. The Group is primarily engaged in manufacture and sale of TFT-LCD panel products. The Group recognizes revenue when the right of control is transferred to the customer when the products are delivered to customer and the Group has no unperformed obligation that could affect customer acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is calculated based on the contract price, net of volume discounts and sales returns and discounts. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts/ sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made, which is consistent with market practice.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. For the information of critical accounting judgments, estimates and key sources of assumption uncertainty is addressed below:

(1) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(12) for the information of goodwill impairment.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future. Please refer to Notes 6(9) and 6(12) for the information of impairment assessment impairment.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due

to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand, checking accounts and demand deposits	$ 21,461,990	$ 21,959,679
Time deposits	5,070,093	12,773,296
	$ 26,532,083	$ 34,732,975

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above time deposits expire in 3 months and risks of changes in their values are remote.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2020	December 31, 2019
Current items		
Financial assets mandatorily measured at fair value through profit or loss		
Forward foreign exchange contracts	$ 706,299	$ 283,906
Non-current items		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 1,037,782	$ 548,180
Unlisted stocks	2,442,400	2,463,055
Convertible bonds	-	33,521
	$ 3,480,182	$ 3,044,756

Liabilities	December 31, 2020	December 31, 2019
Current items		
Financial liabilities held for trading		
Convertible bonds derivative instruments	$ 3,208,560	$ -
Forward foreign exchange contracts	13,574	345,463
	$ 3,222,134	$ 345,463

A. The Group sold $$2,566,352 of stocks at fair value during the year ended December 31, 2020 and the amount of receivables (shown as other receivables) outstanding as of December 31, 2020 was $1,259,091.

B. The Company entered into a 'Share Issuance and Asset Purchase Agreement' with Nanjing Huadong Electronic Information & Technology Co., Ltd (Huadong Electronic) during the year ended December 31, 2020. Refer to Note 9(2) for relevant information.

C. The non-hedging derivative financial assets and liabilities transaction information are as follows:

	December 31, 2020			December 31, 2019		
Derivative financial assets and liabilities		Contract Amount (Notional Principal) (in thousands)	Contract Period		Contract Amount (Notional Principal) (in thousands)	Contract Period
Current items						
Forward foreign exchange contracts	TWD (sell)	$ 4,034,150	2020/11-2021/02	TWD (sell)	$11,287,592	2019/09-2020/04
	JPY (buy)	15,000,000	2020/11-2021/02	JPY (buy)	39,900,000	2019/09-2020/04
Forward foreign exchange contracts	USD (sell)	170,000	2020/11-2021/02	USD (sell)	37,000	2019/12-2020/01
	JPY (buy)	17,711,370	2020/11-2021/02	JPY (buy)	4,040,505	2019/12-2020/01
Forward foreign exchange contracts	USD (sell)	1,207,000	2020/10-2021/04	USD (sell)	905,000	2019/10-2020/04
	RMB (buy)	8,012,265	2020/10-2021/04	RMB (buy)	6,379,751	2019/10-2020/04
Forward foreign exchange contracts	USD(sell)	140,000	2020/12-2021/01	HKD (sell)	646,350	2019/11-2020/03
	TWD(buy)	3,924,200	2020/12-2021/01	USD (buy)	82,500	2019/11-2020/03
Forward foreign exchange contracts				EUR (sell)	35,000	2019/12-2020/03
				HKD (buy)	304,588	2019/12-2020/03
Forward foreign exchange contracts				JPY (sell)	21,548	2019/11-2020/02
				USD (buy)	200	2019/11-2020/02
Forward foreign exchange contracts				USD (sell)	30,000	2019/12-2020/01
				TWD (buy)	896,400	2019/12-2020/01

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds in foreign currency. However, these contracts are not accounted for using hedge accounting.

(3) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Non-current items		
Equity instruments		
Listed stocks	$ 3,853,042	$ 3,214,251
Unlisted stocks	1,034,639	1,054,234
	$ 4,887,681	$ 4,268,485

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. The Group sold $283,212 of listed stocks at fair value resulting in cumulative gains amounting to $236,126 on disposal which were recognized in unappropriated retained earnings during the year ended December 31, 2020.

C. For information on other comprehensive income for fair value change recognized by the Group for the years ended December 31, 2020 and 2019, please refer to Note 6(22) "Other equity".

(4) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Current items		
Time deposits with maturity over three months	$ 42,687,746	$ 19,704,149

The Group recognized $164,623 and $404,178 of interest income arising from the financial assets at amortized cost for the years ended December 31, 2020 and 2019, respectively.

(5) Notes receivable and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 239,644	$ 45,906
Accounts receivable	49,867,533	40,053,319
	50,107,177	40,099,225
Less: Allowance for uncollectible accounts	(209,419)	(209,418)
	$ 49,897,758	$ 39,889,807

A. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2020	December 31, 2019
Not past due	$ 49,489,308	$ 39,390,359
Up to 60 days	401,369	566,949
61 to 180 days	129,369	117,563
Over 180 days	87,131	24,354
	$ 50,107,177	$ 40,099,225

The above aging analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to $45,273,886.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Transfer of financial assets

A. Transferred financial assets that are derecognized in their entirety

The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognized the transferred accounts receivable. As of December 31, 2020, the transferred accounts receivable had all been collected.

B. The Group has no transfer of financial assets on December 31, 2019.

(7) Inventories

	December 31, 2020	December 31, 2019
Raw materials and supplies	$ 5,782,404	$ 4,192,118
Work in progress	13,670,471	14,704,830
Finished goods	11,412,395	11,542,128
	$ 30,865,270	$ 30,439,076

For the years ended December 31, 2020 and 2019, the Group recognized cost of goods sold for inventories that have been sold at $246,024,010 and $248,756,734 and recognized net inventory loss at $53,944 and $200,395 due to write down (reversal) of cost of scrap inventories to net realizable value, respectively.

(8) Investments accounted for under the equity method

	December 31, 2020	December 31, 2019
Ampower Holding Ltd.	$ 834,982	$ 865,362
FI Medical Device Manufacturing Co., Ltd.	377,751	427,338
Others	33,501	40,870
	$ 1,246,234	$ 1,333,570

The operating results of the Group's share in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2020	2019
Profit for the year from continuing operations	$ 176,561	$ 307,296
Other comprehensive loss - net of tax	(62,442)	(85,365)
Total comprehensive income	$ 114,119	$ 221,931

(9) Property, plant and equipment

	2020				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	$ 4,093,726	$ -	$ -	$ -	$ 4,093,726
Buildings	202,292,552	380,614	(394,478)	1,659,592	203,938,280
Machinery and equipment	519,719,206	2,325,506	(7,203,510)	11,805,492	526,646,694
Other equipment	47,114,625	129,623	(1,692,237)	4,179,316	49,731,327
	773,220,109	2,835,743	(9,290,225)	17,644,400	784,410,027
Accumulated depreciation and impairment:					
Buildings	(130,770,638)	(8,490,978)	389,459	(453,268)	(139,325,425)
Machinery and equipment	(421,695,341)	(21,667,679)	6,974,077	(404,815)	(436,793,758)
Other equipment	(39,800,737)	(4,674,102)	1,676,056	(5,326)	(42,804,109)
	(592,266,716)	(34,832,759)	9,039,592	(863,409)	(618,923,292)
Unfinished construction and equipment under acceptance	13,429,043	15,124,459	-	(15,138,562)	13,414,940
	$ 194,382,436				$ 178,901,675

	2019					
	At January 1	Additions	Acquired from business combinations	Disposals	Transfer, net exchange differences and others	At December 31
Cost:						
Land	$ 3,852,792	$ -	$ 240,934	$ -	$ -	$ 4,093,726
Buildings	199,521,281	429,071	214,129	(79,778)	2,207,849	202,292,552
Machinery and equipment	510,649,778	2,554,763	184,682	(2,734,356)	9,064,339	519,719,206
Other equipment	43,298,695	103,415	505,875	(2,975,898)	6,182,538	47,114,625
	757,322,546	3,087,249	1,145,620	(5,790,032)	17,454,726	773,220,109
Accumulated depreciation and impairment:						
Buildings	(122,903,947)	(8,341,511)	(139,922)	76,102	538,640	(130,770,638)
Machinery and equipment	(403,140,224)	(21,419,437)	(183,618)	2,566,464	481,474	(421,695,341)
Other equipment	(36,348,744)	(4,570,350)	(488,367)	2,889,263	(1,282,539)	(39,800,737)
	(562,392,915)	(34,331,298)	(811,907)	5,531,829	(262,425)	(592,266,716)
Unfinished construction and equipment under acceptance	11,688,329	20,197,482	-	-	(18,456,768)	13,429,043
	$ 206,617,960					$ 194,382,436

A. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

B. As of December 31, 2020 and 2019, the prepayments for business facilities which have not yet entered the factory (shown as 'other non-current assets') amounted to $242,041 and $1,503,720, respectively.

(10) Leasing arrangements－lessee

A. The Group leases various assets including land, offices and business vehicles. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise office, dormitory and equipment. Low-value assets comprise computer equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 5,521,852	$ 6,049,963
Buildings (Office)	22,904	41,171
Transportation equipment (Business vehicles)	3,153	4,217
	$ 5,547,909	$ 6,095,351

	Year ended December 31, 2020	Year ended December 31, 2019
	Depreciation charge	Depreciation charge
Land	$ 483,648	$ 500,943
Buildings (Office)	23,475	22,147
Transportation equipment (Business vehicles)	1,260	1,282
	$ 508,383	$ 524,372

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $5,245 and $25,336, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 94,596	$ 106,351
Expense on variable lease payments	186,729	146,882
Expense on short-term lease contracts	89,631	112,975
Expense on leases of low-value assets	37,510	37,983

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $687,179 and $867,996, respectively.

(11) Investment property

	2020		
	At January 1	Additions	At December 31
Cost:			
Land	$ 188,247	$ -	$ 188,247
Buildings	439,228	-	439,228
	627,475	-	627,475
Accumulated depreciation:			
Buildings	(100,243)	(27,788)	(128,031)
	$ 527,232	($ 27,788)	$ 499,444

	2019		
	At January 1	Additions	At December 31
Cost:			
Land	$ 188,247	$ -	$ 188,247
Buildings	439,228	-	439,228
	627,475	-	627,475
Accumulated depreciation:			
Buildings	(75,505)	(24,738)	(100,243)
	$ 551,970	($ 24,738)	$ 527,232

The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $2,035,178 and $1,906,827, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information categorized within Level 3 in the fair value hierarchy.

(12) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty. Details of intangible assets are as follows:

	2020				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Patents and royalty	$ 8,158,285	$ -	$ -	$ 26,151	$ 8,184,436
Goodwill	17,117,339	-	-	-	17,117,339
Others	5,309,115	26,076	(27,892)	60,955	5,368,254
	30,584,739	26,076	(27,892)	87,106	30,670,029
Accumulated amortization and impairment:					
Patents and royalty	(8,151,571)	(5,144)	-	-	(8,156,715)
Others	(4,855,524)	(194,029)	27,892	15,331	(5,006,330)
	(13,007,095)	(199,173)	27,892	15,331	(13,163,045)
	$ 17,577,644	($ 173,097)	$ -	$ 102,437	$ 17,506,984

	2019					
	At January 1	Additions	Acquired from business combinations	Disposals	Transfer, net exchange differences and others	At December 31
Cost:						
Patents and royalty	$ 8,154,685	$ -	$ -	$ -	$ 3,600	$ 8,158,285
Goodwill	17,096,628	-	20,711	-	-	17,117,339
Others	5,247,197	49,825	-	(38,684)	50,777	5,309,115
	30,498,510	49,825	20,711	(38,684)	54,377	30,584,739
Accumulated amortization and impairment:						
Patents and royalty	(8,147,367)	(4,204)	-	-	-	(8,151,571)
Others	(4,669,658)	(245,339)	-	38,684	20,789	(4,855,524)
	(12,817,025)	(249,543)	-	38,684	20,789	(13,007,095)
	$ 17,681,485	($ 199,718)	$ 20,711	$ -	$ 75,166	$ 17,577,644

B. Details of amortization of intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Operating costs	$ 69,559	$ 93,186
Operating expenses	129,614	156,357
	$ 199,173	$ 249,543

C. The Company is primarily engaged in the manufacture of TFT-LCD products, which is a single cash-generating unit. The Group performed impairment analysis for recoverable amount of the goodwill at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 12.07% and 12.51%, respectively, for the years ended December 31, 2020 and 2019, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Group did not recognize impairment loss on goodwill for the years ended December 31, 2020 and 2019, respectively.

(13) Other payables

	December 31, 2020	December 31, 2019
Other personnel expenses	$ 8,460,510	$ 8,695,902
Payable on machinery and equipment	3,749,913	6,463,079
Repairs and maintenance expense payable	2,808,420	2,617,884
Utilities expense payable	1,137,259	1,125,275
Other payables	9,521,439	9,720,592
	$ 25,677,541	$ 28,622,732

(14) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable	$ 6,331,424	$ 100,000
Less: Discount on bonds payable	(858,420)	(2,982)
Less: Current portion of bonds payable	(98,711)	-
	$ 5,374,293	$ 97,018

A. The issuance of unsecured overseas convertible bonds by the Company in 2019

The terms of the first unsecured overseas convertible bonds issued by the Company in 2019 are as follows

(a) The Company issued USD 300 million, 0% first unsecured overseas convertible bonds, as approved by the regulatory authority on January 15. The bonds mature 5 years from the issue date (January 22, 2020 ~ January 22, 2025) and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to 30 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of December 31, 2020, the conversion price was $10.59 (in dollars) (using the exchange rate 1 USD: 29.913 NTD).

(d) The bondholders have the right to require the Company to redeem bonds at the price of the bonds' face value in whole or partially on the date of three years after the bond issuance.

(e) Under the terms of the bonds, all bonds repurchased (including from secondary market), early redeemed and matured by the Company, or converted and sold back by the bondholder will be cancelled and not to be reissued.

(f) As of December 31, 2020, some convertible bonds were calculated at the conversion price at the time of conversion. Refer to Note 6(19) for relevant information.

B. Regarding the issuance of convertible bonds, the non-equity conversion options, redeem options and put options were separated from their host contracts and were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

C. The issuance of domestic convertible bonds by the Group's subsidiary—GIO Optoelectronics Corp. (referred herein as "GIO Company")

The terms of the first domestic secured convertible bonds issued by GIO Company are as follows:

(a) GIO Company issued $100,000, 0% first domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 1, 2018 ~ October 1, 2021) and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of GIO Company during the period from the date after three months of the bonds issue to 10 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price was $10.7 (in dollars) per share upon issuance.

(d) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are cancelled and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

D. Regarding the issuance of convertible bonds, the equity conversion options of GIO company amounting to $4,778 were separated from the liability component and were recognized in 'capital surplus—share options' in accordance with IAS 32.

(15) Long-term borrowings

Type of loans	Period	December 31, 2020	December 31, 2019
Syndicated bank loans	2016/12/6 ~2024/4/15	$ 39,750,000	$ 35,730,000
Secured borrowings	2016/7/29 ~2022/7/28	54,500	120,500
Less:			
Administrative expenses charged by syndicated banks		(151,503)	(223,719)
Current portion (includes administrative expenses)		(19,268,495)	(16,022,013)
		$ 20,384,502	$ 19,604,768
Range of interest rates		1.45%~2.07%	1.79%~2.07%

A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.

B. The syndicated loan agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, based on the Company's annual consolidated financial statements audited by independent auditors. The Company's financial ratios on the consolidated financial statements for the years ended December 31, 2020 and 2019 are in compliance with the covenants on the syndicated loan agreement.

C. For repayment of borrowings from financial institutions and financing mid-term working capital fund, the Board of Directors approved the signing of a syndicated loan with financial institution in the amount of $37.5 billion on May 5, 2020. As of December 31, 2020, the loan has yet to be drawn down.

(16) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name

of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 2,127,700	$ 2,128,296
Fair value of plan assets	(1,970,661)	(1,835,192)
Net defined benefit liability	$ 157,039	$ 293,104

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	$ 2,128,296	$ 1,835,192	$ 293,104
Current service cost	5,756	-	5,756
Interest expense / income	18,071	15,959	2,112
	23,827	15,959	7,868
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	47,211	(47,211)
Change in financial assumptions	148,100	-	148,100
Experience adjustments	(158,528)	-	(158,528)
Benefits paid	(13,995)	(13,995)	-
	(24,423)	33,216	(57,639)
Contribution for the year	-	86,294	(86,294)
Balance at December 31	$ 2,127,700	$ 1,970,661	$ 157,039

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 2,000,113	$ 1,686,545	$ 313,568
Current service cost	6,039	-	6,039
Interest expense / income	24,926	21,572	3,354
	30,965	21,572	9,393
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	53,738	(53,738)
Change in demographic assumptions	(3,324)	-	(3,324)
Change in financial assumptions	121,231	-	121,231
Experience adjustments	(5,923)	-	(5,923)
Benefits paid	(14,766)	(14,766)	-
	97,218	38,972	58,246
Contribution for the year	-	88,103	(88,103)
Balance at December 31	$ 2,128,296	$ 1,835,192	$ 293,104

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.40%	0.85%
Future salary increases	1.50%	1.50%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 83,849)	$ 87,979	$ 81,342	($ 78,113)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 76,642)	$ 80,299	$ 79,573	($ 76,346)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) As of December 31, 2020, the weighted average duration of the retirement plan is 16 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The subsidiaries in Mainland China have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentages of employees' monthly salaries and wages.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $1,682,528 and $1,815,665, respectively.

(17) Share-based payment

A. For the years ended December 31, 2020 and 2019, the share-based payment arrangements of the Group's subsidiary were as follows:

Type of loans arrangement	Grant date	Quantity granted (in thousand units)	Contract period (in years)	Vesting conditions
Employee stock options	2017/10/01	6,600	5	Note 1
Employee stock options	2020/07/07	7,500	1.08；6	Note 2
Treasury stock transferred to employees	2020/08/17	80,000	-	Vested immediately

Note 1: The employees' stock options of the subsidiary, GIO Company, are exercised based on the issue date. After the date of issuance (2 to 3 years), the employees can exercise their employee stock options in batch at the ratio of 60% and 40%. Stock options that not exercise before the expiry date will be permanently forfeited.

Note 2: The employees' stock options of the subsidiary, InnoCare Optoelectronics Corporation (referred herein as "InnoCare Company"), are exercised based on the issue date and the following two plans :(a) for 1 year after the date of issuance, the employees can exercise their employee stock options all at once; and (b) for 2 to 4 years after the date of issuance, the employees can exercise their employee stock options in batch at the ratio of 30%, 30% and 40%. Stock options that not exercise before the expiry date will be permanently forfeited.

B. Details of the share-based payment arrangements are as follows:

(a) Employee stock options－GIO Company

	2020		2019	
	Quantity (in thousand units)	Weighted-average exercise price (in dollars)	Quantity (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the year	6,232	$ 9.6	6,372	$ 9.8
Options forfeited	(110)	9.6	(140)	9.8
Options outstanding at the end of the year	6,122	9.4	6,232	9.6
Options exercisable at the end of the year	6,122		-	

(b) Employee stock options－InnoCare Company

	2020	
	Quantity (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the year	-	$ -
Options exercised	7,500	22.5
Options outstanding at the end of the year	7,500	22.5
Options exercisable at the end of the year	-	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2020	
Issue date approved	Expiry date	Quantity (in thousand units)	Exercise price (in dollars)
2017.10.1	2022.9.30	6,122	$ 9.4
2020.7.7	2026.7.6	7,500	22.5

		December 31, 2019	
Issue date approved	Expiry date	Quantity (in thousand units)	Exercise price (in dollars)
2017.10.1	2022.9.30	6,232	$ 9.6

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of loans arrangement	Grant date	Price (in dollars)	Exercise Price (in dollars)	Expected volatility (%)	Expected duration (in years)	Expected dividends	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2017.10.01	2.18	10	48.38~48.58	3.5~4	-	0.63~0.68	0.0783~0.1099
Employee stock options	2020.07.07	23.61	22.5	35.59~45.98	1.04~5	-	0.26~0.37	4.88~8.16

E. The information on fair value of treasury stock transferred to the employees is as follows:

Type of loans arrangement	Grant date	Price (in dollars)	Exercise Price (in dollars)	Fair value per unit (in dollars)
Treasury stock transferred to employees	2020.08.17	8.27	3.5	4.77

F. For the years ended December 31, 2020 and 2019, the Group recognized expenses on share-based payment transaction (equity settlement) and the cost of employees' compensation from treasury stock transferred to employees were $395,669 and $28, respectively.

(18) Provisions-current

	Warranty	Litigation and others	Total
At January 1, 2020	$ 3,965,902	$ 2,810,025	$ 6,775,927
Additions during the year	1,295,746	286,360	1,582,106
Used (unused amounts reversed) during the year	(2,205,050)	-	(2,205,050)
At December 31, 2020	$ 3,056,598	$ 3,096,385	$ 6,152,983

A. Warranty

The Group provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B. Litigation and others

Litigation and other provisions for the Group are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(19) Share capital

A. As of December 31, 2020, the Company's authorized and outstanding capital were $105,000,000 and $97,110,720, with a par value of $10 (in dollars) per share, respectively. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (including certificate of entitlement to new shares from convertible bonds) are as follows:

	2020	2019
	Number of ordinary shares (in thousand units)	Number of ordinary shares (in thousand units)
At January 1	9,631,072	9,952,072
Stocks converted from bonds	229,361	-
Treasury stock transferred to employees	80,000	-
Shares retired	-	(321,000)
At December 31	9,940,433	9,631,072

2. The Company's bonds totalling USD 81,200 thousand (face value) had been converted into $2,293,612 of ordinary shares (229,361 thousand shares) with a par value of $10 (in dollars) per share during the year ended December 31, 2020, which resulted in 'capital surplus, additional paid-in capital arising from bond conversion' of $243,805. As of December 31, 2020, the registration has not yet been completed and therefore the shares were shown as 'certificate of entitlement to new shares from convertible bonds'.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

	2020		2019	
	Quantity (in thousand units)	Book value	Quantity (in thousand units)	Book value
At January 1	80,000	$ 618,580	-	$ -
Treasury stock transferred to employees	(80,000)	(618,580)	-	-
Retirement for the year	-	-	321,000	2,299,624
Cancellation for the year	-	-	(241,000)	(1,681,044)
At December 31	-	$ -	80,000	$ 618,580

In 2019, the Company repurchased shares in order to transfer to employees and maintain the Company's credit rating and shareholders' equity. In November 2019, the Company cancelled the treasury shares which used to maintain the Company's credit rating and shareholders' equity in accordance with Securities and Exchange Act.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and the shareholder's rights should not be enjoyed before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be cancelled.

(e) For the year ended December 31, 2020, treasury stocks transferred to employees of the Company and subsidiaries were 80,000 thousand shares, and cost of employees' compensation and transferred amount were $381,600 and $279,162, respectively. The aforementioned amount is higher than the carrying amount of treasury stock. Thus, the differences were recognized as share capital generated from treasury stock transactions.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

	2020				
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Total
At January 1	$ 97,202,453	$ 3,141,232	$ 24	$ 18,670	$ 100,362,379
Cash dividends from capital surplus	(963,107)	-	-	-	(963,107)
Conversion of convertible bonds	243,805	-	-	-	243,805
Recognition of changes in ownership interests in subsidiaries	-	-	38	-	38
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	21,005	21,005
Treasury stock transferred to employees	-	42,182	-	-	42,182
Others	1,694	-	-	-	1,694
At December 31	$ 96,484,845	$ 3,183,414	$ 62	$ 39,675	$ 99,707,996

	2019				
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Total
At January 1	$ 99,614,690	$ -	$ -	$ 33,425	$ 99,648,115
Cancellation of treasury shares	(2,412,276)	3,141,232	-	-	728,956
Recognition of changes in ownership interests in subsidiaries	-	-	24	-	24
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	(14,755)	(14,755)
Others	39	-	-	-	39
At December 31	$ 97,202,453	$ 3,141,232	$ 24	$ 18,670	$ 100,362,379

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be offset against prior years' operating losses, then set aside 10% of the remaining amount as legal reserve (until the legal reserve equals the paid-in capital). Preferred dividend shall be distributed

after setting aside or reversing a special reserve according to related regulations. The appropriation of the remaining amount along with the unappropriated earnings from previous years shall be proposed by the Board of Directors and resolved by the shareholders. The Company is in an emerging industry which is growing rapidly, and has a capital intensive business. The Company is at the stage of stable growth. In line with the Company's long-term financial plan in the future, investment environment and business competition situation, the appropriation of dividends shall be proposed by the Board of Directors and resolved by the shareholders, taking into account the future capital expenditure budget and capital requirement of the Company. However, the stock dividends distributed to shareholders shall not exceed two-thirds of distributable dividends in current period.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. The details of the 2019 deficit compensation which was approved at the stockholders' meeting in June 2020 and the appropriation of 2018 net income which was approved at the stockholders' meeting in June 2019 are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ -		$ 222,276	
Provision of special reserve	2,661,974		3,572,742	
Cash dividends	-	$ -	597,124	$ 0.06
	$ 2,661,974		$ 4,392,142	

Further, the stockholders' meeting in June 2020 approved a resolution to distribute cash dividends amounting to $963,107 at $0.1 (in dollars) per share from capital surplus.

(22) Other equity items

	2020		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	($ 9,497,686)	$ 2,172,249	($ 7,325,437)
Revaluation - gross	-	881,733	881,733
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(236,126)	(236,126)
Currency translation differences	680,959	-	680,959
Share of other comprehensive loss of associates	(62,442)	-	(62,442)
Effect of income tax	-	1,642	1,642
At December 31	($ 8,879,169)	$ 2,819,498	($ 6,059,671)

	2019		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	($ 6,461,149)	$ 1,797,686	($ 4,663,463)
Revaluation - gross	-	299,431	299,431
Currency translation differences	(2,951,172)	-	(2,951,172)
Share of other comprehensive loss of associates	(85,365)	-	(85,365)
Effect of income tax	-	75,132	75,132
At December 31	($ 9,497,686)	$ 2,172,249	($ 7,325,437)

(23) Operating income

	Years ended December 31,	
	2020	2019
TFT-LCD products	$ 269,911,051	$ 251,971,209

The Group derives revenue from the transfer of goods at a point in time.

(24) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	$ 218,514	$ 625,895
Interest income from financial assets at amortized cost	164,623	404,178
	$ 383,137	$ 1,030,073

(25) Other income

	Years ended December 31,	
	2020	2019
Grant revenue	$ 585,730	$ 679,192
Service revenue	575,276	457,226
Compensation income	406,492	137,170
Dividend revenue	198,526	123,952
Rental revenue	161,629	185,299
Other income	786,637	643,947
	$ 2,714,290	$ 2,226,786

(26) Other gains and losses

	Years ended December 31,	
	2020	2019
Net gain on financial assets and liabilities at fair value through profit or loss	$ 2,987,483	$ 1,284,844
Net currency exchange loss	(3,113,179)	(77,541)
Gain on disposal of investments	-	21,069
Gain (loss) on disposal of property, plant and equipment	7,709	(219,607)
Other losses	(1,384,151)	(132,719)
	($ 1,502,138)	$ 876,046

(27) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	$ 668,137	$ 924,488
Convertible bonds	254,379	-
Others	104,000	107,245
	$ 1,026,516	$ 1,031,733

(28) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense:		
Salaries and other short-term employee benefits	$ 36,063,713	$ 36,304,681
Employee stock options	395,669	28
Post-employment benefits	1,690,396	1,825,058
Depreciation	35,368,930	34,880,408
Amortization	199,173	249,543
	$ 73,717,881	$ 73,259,718

(29) Employees' compensation and directors' remuneration

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 0.1% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $139,349 and $0, respectively; while directors' remuneration was accrued at $2,144 and $0, respectively. The aforementioned amounts were recognized in expenses.

The expenses recognized for 2020 were accrued based on the earnings of current year. The employees' compensation and directors' remuneration were $139,349 and $2,144 in the form of cash, respectively, as resolved by the Board of Directors on February 4, 2021. The accrued amounts were in agreement with the amount of recorded expense for the year ended December 31, 2020.

For the year ended December 31, 2019, the Company incurred net loss and had an accumulated deficit. Thus, there was no distribution of employees' compensation and directors' remuneration as resolved by the Board of Directors on February 13, 2020.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the year	$ 501,205	$ 1,308,831
Prior year income tax under (over) estimation	54,676	(940,335)
Total current tax	555,881	368,496
Deferred tax:		
Origination and reversal of temporary differences	484,243	526,376
Loss carryforward	(122,817)	19,972
Income tax expense	$ 917,307	$ 914,844

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	($ 1,642)	($ 75,132)
Remeasurements of defined benefit obligations	11,528	(11,649)
	$ 9,886	($ 86,781)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	$ 920,239	($ 2,287,051)
Effects from items disallowed by tax regulation	134,617	(401,482)
Prior year income tax (over) under estimation	54,676	(940,335)
Separate taxation	6,193	15,706
Change in assessment of realization of deferred tax assets	(198,418)	4,528,006
Tax expense	$ 917,307	$ 914,844

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	$ 668,568	($ 33,633)	$ -	$ 634,935
Accrued royalties and warranty provisions	1,556,050	(246,247)	-	1,309,803
Unrealized loss on financial instruments	659,943	(67,469)	1,642	594,116
Others	658,073	6,570	(11,528)	653,115
Loss carryforward	3,807,176	122,817	-	3,929,993
	$ 7,349,810	($ 217,962)	($ 9,886)	$ 7,121,962
- Deferred tax liabilities:				
Unrealized exchange gain	($ 227,983)	$ 73,402	$ -	($ 154,581)
Amortization charges on goodwill	(948,863)	(96,906)	-	(1,045,769)
Others	(288,680)	(119,960)	-	(408,640)
	($ 1,465,526)	($ 143,464)	$ -	($ 1,608,990)
	$ 5,884,284	($ 361,426)	($ 9,886)	$ 5,512,972

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	$ 475,725	$ 192,843	$ -	$ 668,568
Accrued royalties and warranty provisions	1,539,307	16,743	-	1,556,050
Unrealized exchange loss	162,222	(162,222)	-	-
Unrealized loss on financial instruments	511,246	73,565	75,132	659,943
Prior year expense carryforward	3,592	(86)	-	3,506
Others	704,624	(61,706)	11,649	654,567
Loss carryforward	3,827,148	(19,972)	-	3,807,176
	$ 7,223,864	$ 39,165	$ 86,781	$ 7,349,810
- Deferred tax liabilities:				
Unrealized exchange gain	$ -	($ 227,983)	$ -	($ 227,983)
Amortization charges on goodwill	(851,958)	(96,905)	-	(948,863)
Others	(28,055)	(260,625)	-	(288,680)
	($ 880,013)	($ 585,513)	$ -	($ 1,465,526)
	$ 6,343,851	($ 546,348)	$ 86,781	$ 5,884,284

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020

Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2011	Assessed	$ 23,790,717	$ 18,507,136	2021
2012	Assessed	42,430,348	33,007,169	2022
2016	Assessed	1,051,680	818,117	2026
2019	Filed	21,206,403	16,496,761	2029
		$ 88,479,148	$ 68,829,183	

December 31, 2019

Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2011	Assessed	$ 24,283,146	$ 19,161,131	2021
2012	Assessed	42,430,348	33,480,565	2022
2016	Assessed	1,051,680	829,850	2026
2019	Estimated	22,482,711	17,740,459	2029
		$ 90,247,885	$ 71,212,005	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 1,446,656	$ 2,357,855

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences unrecognized as deferred tax liabilities were $33,493,308 and $30,463,120, respectively.

G. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

(31) Earnings (loss) per share

	Years ended December 31,	
	2020	2019
Basic earnings (loss) per share		
Profit (loss) attributable to ordinary shareholders of the parent	$ 1,636,144	($ 17,442,990)
Weighted average number of ordinary shares outstanding (shares in thousands)	9,664,728	9,857,385
Basic earnings (loss) per share (in dollars)	$ 0.17	($ 1.77)
Diluted earnings (loss) per share		
Profit (loss) attributable to ordinary shareholders of the parent	$ 1,636,144	($ 17,442,990)
Weighted average number of ordinary shares outstanding (shares in thousands)	9,664,728	9,857,385
Assumed conversion of all dilutive potential ordinary shares:		
- Employees' compensation	9,883	-
	9,674,611	9,857,385
Diluted earnings (loss) per share (in dollars)	$ 0.17	($ 1.77)

For the year ended December 31, 2020, the Group's convertible bonds were not included in the calculation of diluted earnings (loss) per share due to its anti-dilutive effect.

(32) Business combinations

A. On September 18, 2019, the Group acquired 39 % of the share capital of GIO Company for $192,405, which the ownership change from 24% to 63%, and obtained control over GIO Company. The main business of GIO Company is LCD glass substrate processing, LED lighting and its control power supply. As a result of the acquisition, the Group is expected to increase economic scale and strategic synergy.

B. The reference date of the consolidation was set on September 18, 2019. Under the principles of IFRS 3, 'Business Combinations', details of the acquisition are as follows:

	GIO Company
Purchase consideration - cash paid	$ 192,405
Fair value of equity interest in GIO Company held before the business combination	117,446
Fair value of the non-controlling interest	180,351
	490,202
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	522,951
Notes and accounts receivable and other current assets	62,231
Property, plant and equipment	333,713
Other non-current assets	9,766
Notes and accounts payable and other current liabilities	(290,131)
Other non-current liabilities	(169,039)
Total identifiable net assets	469,491
Goodwill	$ 20,711

C. The Group recognized a gain of $10,915 as a result of measuring at fair value its 24% equity interest in GIO Company held before the business combination.

D. GIO Company and its subsidiaries were consolidated since September 18, 2019. Had GIO Company and its subsidiaries been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of $252,055,779 and loss before income tax of $16,529,694 for the year ended December 31, 2019.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	$ 17,960,202	$ 23,284,730
Add: Opening balance of payable on equipment	6,463,079	7,982,978
Less: Ending balance of payable on equipment	(3,749,913)	(6,463,079)
Cash paid during the year	$ 20,673,368	$ 24,804,629

B. Cash received for the acquisition of business subsidiary:

	Year ended December 31, 2020
Total consideration	$ 192,405
Less: Cash of subsidiary	(522,951)
Net cash received for the acquisition of business subsidiary	($ 330,546)

(34) Changes in liabilities from financing activities

For the year ended December 31, 2020, liabilities from financing activities include short-term borrowings, bonds payable, long-term borrowings and lease liabilities. Changes in those items result from cash flow from financing activities, discount, conversion and amortization of bonds payable as well as changes in exchange rate. The summarized significant changes are as follows and other information is provided in the consolidated statements of cash flows.

	2020
	Bonds payable
At January 1	$ 97,018
Changes in cash flow from financing activities	8,900,934
Impact of changes in foreign exchange rate	(346,191)
Conversion of convertible bonds	(2,010,773)
Convertible bonds derivative instruments on the issue date	(1,422,363)
Amortization of discounts on convertible bonds	254,379
At December 31	$ 5,473,004

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Other related party
CHENG MEI MATERIALS TECHNOLOGY CORPORATION and its subsidiaries (Note 1)	Other related party
FI Medical Device Manufacturing Co., Ltd.	Associate
GIO Optoelectronics Corp. (Note 2)	Associate

(Note 1) In May 2020, the Company no longer serves as a director, so it is listed as a non-related party.

(Note 2) GIO Optoelectronics Corp. was included in the consolidated financial statements in the third quarter of 2019. Please refer to Note 4(3).

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
Other related parties	$ 8,158,298	$ 9,331,791
Associates	20,974	18,962
	$ 8,179,272	$ 9,350,753

The collection period was mainly 30~90 days upon shipment or on a monthly-closing basis to related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchases of goods

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Other related parties	$ 6,214,473	$ 9,064,565
Associates	1,047,303	1,541,000
	$ 7,261,776	$ 10,605,565

The payment term was 30~120 days to related parties after transaction date, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms from related parties above were not materially different from those of purchases from third parties.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Other related parties	$ 2,179,257	$ 2,453,195
Associates	44,900	35,324
	$ 2,224,157	$ 2,488,519

The receivables from related parties arise mainly from sales transactions. The receivables are due 30~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
Other related parties	$ 1,606,419	$ 3,647,625
Associates	114,512	137,366
	$ 1,720,931	$ 3,784,991

The payables to related parties arise mainly from purchase transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

E. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2020	2019
Other related parties	$ 66,749	$ 44,098
Associates	-	3,031
	$ 66,749	$ 47,129

(b) Period-end balances arising from purchases of property (shown as 'Other payables'):

	December 31, 2020	December 31, 2019
Other related parties	$ 51,047	$ 1,127,146

Sale of property

(a) Proceeds from sale of property and (loss) gain on disposal:

	Year ended December 31, 2019	
	Disposal proceeds	(Loss) gain on disposal
Other related parties	$ 27,286	($ 2,853)
Associates	594	594
	$ 27,880	($ 2,259)

For the year ended December 31, 2020, there was no such transaction as above.

(b) Period-end balances arising from sale of property (shown as 'other receivables')

	December 31, 2020	December 31, 2019
Other related parties	$ -	$ 25,524

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits (Note)	$ 59,130	$ 63,764
Shared-based payments	22,096	-
Post-employment benefits	855	667
	$ 82,081	$ 64,431

Note: For the year ended December 31, 2020, it included estimated effects.

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Other current assets			
-Demand deposits	$ 950	$ 1,550	Long-term loans
-Time deposits	1,160	-	Tariff and credit card guarantee
Property, plant and equipment	93,284,863	96,026,644	Long-term loans
Intangible assets	-	27	Long-term loans
Other non-current assets			
-Time deposits	3,270	3,270	Tariff guarantee
-Refundable deposits	784,601	359,383	Guarantee for litigation
	$ 94,074,844	$ 96,390,874	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies－Significant Litigations

A. In March 2019, the Company received a sanction to the Company and the related employees and managers from Brazil Administrative Council for Economic Defense - CADE for the 2006 TFT-LCD pricing collaborations involving Chi Mei Optoelectronics Corporation. The fine was paid off on May 8, 2019 and it was confirmed by the representative lawyer of CADE that the Company obeyed the sanction.

B. The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT - LCD companies, had unjustified enrichment from the TFT-LCD pricing collaborations in 2006 and requested monetary compensation. The U.S. subsidiary of the company has appointed a lawyer to handle the lawsuit.

C. Eidos Displays, LLC and Eidos III, LLC ("Eidos") filed a lawsuit against the Company and American subsidiary with the United States District Court for the Eastern District of Texas on April 25, 2011, alleging infringement of its patent. In December 2013, the magistrate judge granted summary judgment that the Eidos patent is invalid. In January 2014, the presiding judge confirmed the summary judgment.

In February 2014, Eidos appealed to the United States Court of Appeals for the Federal Circuit (CAFC). In March 2015, the CAFC reversed the district court's judgment and remanded the case back to the district court for further proceedings. In June 2017, the jury determined that some products of the Company and American subsidiary directly infringed the patent and awarded damages for Eidos. On March 5, 2018, the district court entered judgment. In January 2020, the Company reached an agreement on the main settlement terms with Eidos during the third mediation. In April 2020, the court granted the judgment that the case shall be closed by mutually performing the settlement terms and the lawsuits have no effect on the Company's financial position and operations.

D. On July 10, 2018, Vista Peak Ventures, LLC (VPV) filed four complaints against the Company in the United States District Court for the Eastern District of Texas, alleging the infringement of several of its patents. The Company reached settlements with VPV for the aforementioned lawsuits and acquired relevant patent portfolio licensing in the first quarter of 2019. VPV also dismissed the action and the lawsuits have no effect on the Company's financial position and operations.

E. On March 23, 2018, Chongqing HKC Optoelectronics Technology Co., Ltd. (HFC) filed five complaints against the subsidiaries of the Company, Ningbo Innolux Optoelectronics Ltd., Foshan Innolux Optoelectronics Ltd. as well as their customers and terminal distributors of TV products with the Fifth Intermediate People's Court in Chongqing, alleging the infringement of its patents. Ningbo Innolux Optoelectronics Ltd. submitted a request of patent invalidity to the National

Intellectual Property Administration, PRC upon the patents asserted in the complaints. As of May 21, 2019, all five patents asserted by HKC were declared invalid by the National Intellectual Property Administration, PRC. The five lawsuits that were previously disclosed were allegedly withdrawn by the Chongqing court on June 18, 2019. Thus, the lawsuits have no effect on the Company's financial position and results of operations.

F. On September 1, 2020, Granville Technology Group Limited, VMT Limited and OT Computers Limited (all under liquidation) jointly filed a civil complaint against the Company with the Senior Courts of England and Wales, claiming that the Company, together with other defendants of Taiwan and South Korea TFT - LCD companies, shall be liable for damages incurred from the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

G. On December 18, 2020, the claimants, SAMSUNG ELECTRONICS CO. LIMITED, SAMSUNG ELECTRONICS TAIWAN CO. LIMITED, SAMSUNG ELECTRONICS (UK) LIMITED, SAMSUNG SEMICONDUCTOR EUROPE LIMITED and SAMSUNG DISPLAY CO. LMITED, jointly filed a civil complaint against the Company with the Business and Property Courts of England and Wales, claiming that the Company shall have the responsibility to pay equitable and fair share of compensation in terms of the settlement agreement that the first to fourth claimants entered into with the particular UK authorities for the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

H. The Company had assessed and recognized related losses and liabilities as shown in 'provisions-current' for the aforementioned investigation relating to anti-trust laws and patent litigation.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 12,627,041	$ 16,725,390

B. Outstanding letters of credit

The outstanding letters of credit for the purchase of property, plant and equipment are as follows:

	December 31, 2020	December 31, 2019
Outstanding letters of credit	$ 63,015	$ 266,384

C. The Company entered into a conditional 'Share Issuance and Asset Purchase Agreement' with Huadong Electronics. Huadong Electronic plans to issue shares to the shareholders of TPV Technology Limited, including the Company, in order to obtain 49% equity interest of TPV Technology Limited. However, the transaction will take effect when all preconditions are met.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

(2) Financial instruments

A. Financial instruments by category

For information of the Group's financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, cash and cash equivalents, accounts receivable (including related parties) and other receivables) and financial liabilities (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, lease liability, corporate bonds payable and long-term borrowings (including current portion)), please refer to Note 6 and consolidated balance sheets.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2)).

(b) Risk management is carried out by the treasury department under policies approved by the board of directors. The Group's treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Group used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via the Company's treasury

departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Company use forward foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and USD). Based on the simulations performed, the impact on pre-tax profit of a 1% exchange rate fluctuation would be an increase of $259,928 and $241,844 for the years ended December 31, 2020 and 2019, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020			December 31, 2019		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
Financial assets						
Monetary items						
USD	$ 5,686,943	28.48	$ 161,964,137	$ 5,308,934	29.98	$ 159,161,841
RMB	314,777	4.36	1,372,428	20,244	4.30	87,049
JPY	1,732,338	0.28	485,055	8,363,083	0.28	2,341,663
EUR	3,430	35.02	120,119	39,422	33.59	1,324,185
HKD	13,321	3.67	48,888	658,804	3.85	2,536,395
Non-monetary items						
USD	$ 2,852,662	28.48	$ 81,243,814	$ 2,621,279	29.98	$ 78,585,944
JPY	7,560,763	0.28	2,117,014	7,456,590	0.28	2,087,845
HKD	351,054	3.67	1,288,368	549,225	3.85	2,114,516
Financial liabilities						
Monetary items						
USD	$ 4,498,554	28.48	$ 128,118,818	$ 4,371,165	29.98	$ 131,047,527
JPY	33,061,001	0.28	9,257,080	35,516,290	0.28	9,944,561
EUR	8,703	35.02	304,779	5,585	33.59	187,600
HKD	73,107	3.67	268,303	122	3.85	470

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

iv. Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to $3,113,179 and $77,541, respectively.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive

income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done by the Group in respect of the targets and stages.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $696,036 and $602,247, respectively; other comprehensive gains and losses would have increased/decreased by $977,536 and $853,697, respectively.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the NTD.

ii. The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. If the borrowing interest rate of NTD had increased/decreased by 0.25% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by $99,511 and $89,626, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost and accounts receivable held by the Group was its carrying amount.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the managements. The utilization of credit limits is regularly

monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customer's accounts receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
(ii) Default or delinquency in interest or principal repayments;
(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group adjusted forward looking information based on historical and timely information to assess the default possibility of accounts receivables.
According to abovementioned consideration and information, the Group does not expect any significant default possibility of accounts receivable.

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020
	Accounts receivable
At January 1	$ 209,418
Provision for impairment	1
At December 31	$ 209,419

	2019
	Accounts receivable
At January 1	$ 209,729
Reversal	(311)
At December 31	$ 209,418

ix. The Group's financial assets at amortized cost have low credit risk, the Group did not recognize significant loss allowance in accordance with 12 months expected credit losses.

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group's treasury. Group treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Group chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.

iii. The information below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2020	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Lease liability (Note)	$ 236,720	$ 1,376,565	$ 1,136,525	$ 2,870,936	$ 5,620,746
Bonds payable	100,000	6,231,424	-	-	6,331,424
Long-term borrowings (including current portion)	19,301,000	8,203,500	12,300,000	-	39,804,500

December 31, 2019	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Lease liability	$ 548,688	$ 1,062,615	$ 1,052,983	$ 3,386,241	$ 6,050,527
Bonds payable	-	100,000	-	-	100,000
Long-term borrowings (including current portion)	16,046,000	19,404,500	400,000	-	35,850,500

Note: The Company applied a 1-year grace period for land rental payment starting from September 2020. The payment is repayable in 36 equal monthly installments for 3 years.

Except for the above, the non-derivative and derivative financial liabilities of the Group are all due within one year.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and bonds payable is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortized cost, accounts payable, other payables, lease liability, corporate bonds payable and long-term borrowings (including current portion) are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,037,782	$ -	$ 2,442,400	$ 3,480,182
Forward exchange contracts	-	706,299	-	706,299
Financial assets at fair value through other comprehensive income				
Equity securities	3,853,042	-	1,034,639	4,887,681
	$ 4,890,824	$ 706,299	$ 3,477,039	$ 9,074,162
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 13,574	$ -	$ 13,574
Convertible bonds derivative instruments	-	-	3,208,560	3,208,560
	$ -	$ 13,574	$ 3,208,560	$ 3,222,134

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 548,180	$ -	$ 2,463,055	$ 3,011,235
Forward exchange contracts	-	283,906	-	283,906
Convertible bonds	-	-	33,521	33,521
Financial assets at fair value through other comprehensive income				
Equity securities	3,214,251	-	1,054,234	4,268,485
	$ 3,762,431	$ 283,906	$ 3,550,810	$ 7,597,147
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 345,463	$ -	$ 345,463

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks	Corporate bond
Market quoted price	Closing price	Last transaction price	Weighted average quoted price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate. Convertible bonds derivative instruments are measured by using appropriate option pricing models (binary tree model for convertible bond pricing).

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial

instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in Level 3 instruments for the years ended December 31, 2020 and 2019:

	2020		
Financial assets at fair value through profit or loss / Financial assets at fair value through other comprehensive income	Equity securities	Hybrid instrument	Total
At January 1	$ 3,517,289	$ 33,521	$ 3,550,810
Gains and losses recognized in profit or loss	2,251,088	-	2,251,088
Gains and losses recognized in other comprehensive income	(44,404)	-	(44,404)
Acquired in the year	254,152	-	254,152
Disposed in the year	(2,532,664)	-	(2,532,664)
Conversion in the period	33,129	(33,129)	-
Effect on exchange rate changes	(1,551)	(392)	(1,943)
At December 31	$ 3,477,039	$ -	$ 3,477,039

	2020
Financial liabilities at fair value through profit or loss	Derivative instruments
At January 1	$ -
Gains and losses recognized in profit or loss	1,786,197
Issued in the year	1,422,363
At December 31	$ 3,208,560

	2019		
	Equity securities	Hybrid instrument	Total
At January 1	$ 1,516,476	$ 35,559	$ 1,552,035
Gains and losses recognized in profit or loss	1,405,475	(1,224)	1,404,251
Gains and losses recognized in other comprehensive income	(259,673)	-	(259,673)
Acquired in the year	198,768	-	198,768
Disposed in the year	(1,500)	-	(1,500)
Proceeds from capital reduction	(35,585)	-	(35,585)
Transfers to Level 3	708,132	-	708,132
Effect on exchange rate changes	(14,804)	(814)	(15,618)
At December 31	$ 3,517,289	$ 33,521	$ 3,550,810

G. Because TPV Technology Limited was delisted since November 2019 due to its privatization and there is insufficient observable market information, therefore, the Company transferred the fair value from Level 1 to Level 3 at the end of the month when the event occurred.

H. Investment management segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Convertible bonds derivative instruments are evaluated through outsourced appraisal performed by the external valuer.

Investment management segment set up valuation policies, valuation processes, and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 1,273,432	Market comparable companies	Price to earnings ratio multiple, price to sales ratio multiple, price to book ratio multiple	0.62~4.50 (0.34)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~70% (11%)	The higher the discount for lack of marketability, the lower the fair value
	1,988,800	Using the last transaction price in an inactive market	Discount for lack of marketability	23%~30% (14%)	The higher the discount for lack of marketability, the lower the fair value
	191,460	Net asset value	Discount for lack of marketability	5% (0%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	23,347	Net asset value	Not applicable	Not applicable	Not applicable
Private equity fund investment					
Derivative instrument liabilities:					
Convertible bond	3,208,560	Binary tree model for convertible bond pricing	Volatility rate	48.60%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 3,492,198	Market comparable companies	Price to earnings ratio multiple, price to sales ratio multiple, price to book ratio multiple	0.61~ 42.08 (2.84)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~70% (31%)	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	25,091	Net asset value	Not applicable	Not applicable	Not applicable
Private equity fund investment					

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bond	33,521	Discounted cash flow method and Option pricing model	Volatility and Discount rate	1.6%、31.1%(16.3%)	The higher the volatility, the higher the fair value; the higher the discount rate, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	$ 3,477,039	± 1%	$ 24,424	($ 24,424)	$ 10,346	($ 10,346)
Financial liabilities						
Derivative instruments	$ 3,208,560	± 1%	$ 32,043	($ 31,780)	$ -	$ -

			December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	$ 3,517,289	± 1%	$ 24,631	($ 24,631)	$ 10,542	($ 10,542)
Hybrid instrument	33,521	± 1%	335	(335)	-	-

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to Table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting period: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 1, 4, 5 and 6.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: None.

14. SEGMENT INFORMATION

(1) General information

The Group is primarily engaged in the research, development, design, manufacture and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD. The Group operates TFT-LCD business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

The Group's operating segment information was prepared in accordance with the Group's accounting policies. The chief operating decision-maker allocated resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax and discontinued operations of individual operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
	TFT LCD	TFT LCD
Segment revenue	$ 269,911,051	$ 251,971,209
Segment income (loss)	$ 2,557,131	($ 16,525,428)
Depreciation and amortization	$ 35,568,103	$ 35,129,951
Capital expenditure-property, plant and equipment	$ 20,673,368	$ 24,804,629
Segment assets	$ 379,559,837	$ 369,764,346

(3) Reconciliation for segment income

In current year, the revenue and income or loss before tax of reportable operating segment are consistent with those of continuing operations.

(4) Information on products

Revenue from external customers is mainly from sale of TFT-LCD products, the sales amount is in agreement with operating revenue.

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 52,975,743	$ 172,239,947	$ 50,060,495	$ 189,612,483
Hong Kong	88,286,363	-	74,215,947	-
China	44,620,274	30,464,485	43,603,799	30,502,012
US	31,387,034	553	27,794,735	735
Singapore	17,385,575	-	15,273,805	-
Europe	9,939,661	52,675	10,089,112	74,197
Others	25,316,401	115,940	30,933,316	97,396
Total	$ 269,911,051	$ 202,873,600	$ 251,971,209	$ 220,286,823

(6) Major customer information

There are no individual sales to the Group's customers that exceed 10% of the sales in the statements of comprehensive income for the year ended December 31, 2020 and 2019.

Innolux Corporation and Subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance as at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Related parties	$ 4,365,984	$ 4,365,984	$ 4,365,984	2.00%	Short-term financing	$ -	Operating support	$ -	-	$ -	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Other receivables	Related parties	2,182,992	2,182,992	1,528,094	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Related parties	2,401,291	2,401,291	1,702,734	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Shanghai Innolux Optoelectronics Ltd.	Other receivables	Related parties	1,790,053	1,790,053	1,135,156	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	4,365,984	3,711,087	2,619,591	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
2	Nanjing Innolux Technology Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	218,299	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	1,220,292	1,220,292	A
3	Innolux Japan Co., Ltd.	Innolux Corporation	Other receivables	Related parties	2,611,670	2,611,670	2,611,670	1.00%	Short-term financing	-	Operating support	-	-	-	7,674,648	7,674,648	A
3	Innolux Japan Co., Ltd.	Lakers Trading Limited	Other receivables	Related parties	2,611,670	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	7,674,648	7,674,648	A
4	Warriors Technology Investments Ltd	Innolux Corporation	Other receivables	Related parties	3,360,640	3,360,640	3,360,640	0.00%	Short-term financing	-	Operating support	-	-	-	12,505,452	12,505,452	A
4	Warriors Technology Investments Ltd	Lakers Trading Limited	Other receivables	Related parties	3,067,312	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	12,505,452	12,505,452	A

Note A:

1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the Group's net equity, based on the most recent audited financial statements of the creditor.

2.The financial limit on loans granted shall not exceed 40% of the creditor's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the creditor's net equity.

3.The policy for loans granted to direct or indirect wholly-owned ultimate parent company or overseas subsidiaries is as follows: for short-term capital needs, financial limit is not restricted to the abovementioned two rules, however, financial limit on total loans granted and limit on loans granted to a single party for the overseas subsidiaries should not exceed 200% of the creditor's net equity.

Innolux Corporation and Subsidiaries

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	Common stock							
Innolux Corporation	AvanStrate Inc.	None	Financial assets at fair value through profit or loss	900,000	$ 6,075	1	$ 6,075	
Innolux Corporation	TPV Technology Limited	None	Financial assets at fair value through profit or loss	60,200,000	1,289,423	3	1,289,423	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	Other related party	Financial assets at fair value through profit or loss	14,234,041	191,460	19	191,460	
Innolux Corporation	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	57,211,305	632,185	9	632,185	
Innolux Corporation	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through profit or loss	1,669,000	191,101	-	191,101	
Innolux Corporation	Allied Material Technology Corp.	None	Financial assets at fair value through profit or loss	1,209	-	-	-	
Innolux Corporation	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	477,142	40,589	12	40,589	
Innolux Corporation	VIZIO. Inc.	None	Financial assets at fair value through other comprehensive income	927,452	957,222	4	957,222	
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Financial assets at fair value through profit or loss	1,439,180	-	3	-	
Yuan Chi Investment Co., Ltd.	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	315,000	3,480	-	3,480	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial assets at fair value through profit or loss	6,964,222	211,016	5	211,016	
InnoJoy Investment Corporation	eChem solutions Corp.	None	Financial assets at fair value through other comprehensive income	2,887,500	41,400	4	41,400	
InnoJoy Investment Corporation	EPILEDS Co., Ltd.	None	Financial assets at fair value through other comprehensive income	7,347,144	160,902	7	160,902	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Financial assets at fair value through other comprehensive income	9,049,000	1,113,027	5	1,113,027	
Ningbo Innolux Optoelectronics Ltd.	上海辰岱投資中心(有限合夥)	None	Financial assets at fair value through profit or loss	-	685,090	-	685,090	
Ningbo Innolux Optoelectronics Ltd.	Shenzhen Tiandeyu Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss	30,599,775	158,443	8	158,443	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Warriors Technology Investments Ltd	OED Holding Ltd.	None	Financial assets at fair value through profit or loss	16,000,000	$ 12,744	6	$ 12,744	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	414,136	35,229	11	35,229	
Warriors Technology Investments Ltd	Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	1,027,371	14,288	-	14,288	
Warriors Technology Investments Ltd	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through other comprehensive income	22,525,000	2,579,113	7	2,579,113	
Warriors Technology Investments Ltd	CJK Associates Co., Ltd.	None	Financial assets at fair value through other comprehensive income	4,000	4,872	14	4,872	
Warriors Technology Investments Ltd	Perinnova Limited	Other related party	Financial assets at fair value through other comprehensive income	1,900	520	19	520	
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through other comprehensive income	1,819,240	16,337	11	16,337	
Nets trading Ltd.	PilotTech Global Fund	None	Financial assets at fair value through profit or loss	90	23,347	-	23,347	

Innolux Corporation and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020 (Note 4)		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020 (Note 5)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Innolux Hong Kong Holding Limited	Innolux Europe B.V.	Investments accounted for using equity method	-	-	375,810	$ 377,076	-	$ -	375,810	$ 464,341	$ 377,076	(Note 6)	-	$ -
Innolux Hong Kong Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	162,897,802	1,598,956	-	-	162,897,802	1,818,180	1,598,956	(Note 6)	-	-
CarUX Holding Limited	Innolux Europe B.V.	Investments accounted for using equity method	-	-	-	-	375,810	464,341	375,810	464,341	464,341	(Note 6)	-	-
CarUX Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	-	-	162,897,802	1,818,180	162,897,802	1,818,180	1,818,180	(Note 6)	-	-
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Investments accounted for using equity method	-	-	-	-	375,810	464,341	-	-	-	-	375,810	436,612
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	-	-	162,897,802	1,818,180	-	-	-	-	162,897,802	1,872,445
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Investments accounted for using equity method	-	-	9,500,000	285,546	39,875,280	1,195,262	-	-	-	-	125,231,749	3,895,283
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Investments accounted for using equity method	-	-	9,400,000	282,539	39,875,280	1,195,262	-	-	-	-	125,131,749	3,892,513
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Investments accounted for using equity method	-	-	-	-	140,000,000	1,400,000	-	-	-	-	140,000,000	1,436,674

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020 (Note 4)		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020 (Note 5)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Innolux Corporation	TPV Technology Limited	Financial assets at fair value through profit or loss	-	-	150,500,000	$ 2,113,966	-	$ -	(90,300,000)	$ 2,532,664	$ 2,532,664	(Note 7)	60,200,000	$ 1,289,423

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: The balance at January 1, 2020 includes the investment income (loss) and cumulative translation adjustments.

Note 5: The balance at December 31, 2020 includes the investment income (loss), cumulative translation adjustments, gains (losses) on valuation and shares transferred.

Note 6: There was no income or loss as it was accounted as reorganization.

Note 7: There was no gain or loss on disposal as gains or losses on valuation were recognised under IFRS.

Innolux Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	Sales	$ 18,559,893	7	60-90 days	Similar with general sales	No material difference	$ 4,358,767	8	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Sales	5,491,141	2	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	Hongfujin Precision Electronics (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,876,859	1	60 days	Similar with general sales	No material difference	598,634	1	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	2,320,933	1	90 days	Similar with general sales	No material difference	1,193,923	2	
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Sales	2,223,300	1	60 days	Similar with general sales	No material difference	1,619,004	3	
Innolux Corporation	Lakers Trading Limited	An indirect wholly-owned subsidiary	Sales	1,356,544	1	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	Sales	952,627	-	60-90 days	Similar with general sales	No material difference	918,101	2	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	802,468	-	60 days	Similar with general sales	No material difference	58,592	-	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	722,635	-	45 days	Similar with general sales	No material difference	50,130	-	
Innolux Corporation	Shenzhen Fugui Precision Industrial Co., LTD	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	324,861	-	60 days	Similar with general sales	No material difference	41,345	-	
Innolux Corporation	FIH (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	319,345	-	60 days	Similar with general sales	No material difference	99,057	-	
Innolux Corporation	COMPETITION TEAM IRELAND LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	301,600	-	45 days	Similar with general sales	No material difference	96,519	-	
Innolux Corporation	Hongfujin Precision Industry (Wuhan) Co.,Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	101,503	-	90 days	Similar with general sales	No material difference	-	-	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Cheng Mei Materials Technology Corporation	Other related party	Purchases	$ 912,669	-	90 days after acceptance	Single purchases target, no basis for comparison	No material difference	$ -	-	A
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	441,318	-	90 days	Single purchases target, no basis for comparison	No material difference	(483,523)	1	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Other related party	Purchases	197,889	-	30 days after acceptance	Single purchases target, no basis for comparison	No material difference	-	-	
Innolux Corporation	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing expense	26,356,710	11	60 days	Cost plus	No material difference	-	-	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing expense	21,442,637	9	60 days	Cost plus	No material difference	(9,038,281)	12	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	14,691,092	6	60 days	Cost plus	No material difference	(20,055,436)	28	
Innolux Corporation	Leadtek Global Group Limited	A subsidiary of the Company	Processing expense	10,510,381	4	60 days	Cost plus	No material difference	-	-	
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Processing expense	9,749,556	4	60 days	Cost plus	No material difference	(5,846,718)	8	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	9,042,628	4	60 days	Cost plus	No material difference	(14,160,794)	19	
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	16,194,375	35	60 days	Similar with general transactions	No material difference	-	-	
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	10,563,942	31	60 days	Similar with general transactions	No material difference	-	-	
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	15,354,830	100	60 days	Similar with general transactions	No material difference	7,751,062	100	
Ningbo Innolux Display Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	10,446,549	36	60 days	Similar with general transactions	No material difference	-	-	
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	5,631,825	81	60 days	Similar with general transactions	No material difference	1,443,648	75	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	$ 225,607	100	60 days	Similar with general transactions	No material difference	$ 530,594	100	
CarUX Technology Inc.	Innolux Corporation	Ultimate parent company	Processing revenue	1,388,848	100	60 days	Similar with general transactions	No material difference	442,099	100	
Innolux Europe B.V.	Innolux Corporation	Ultimate parent company	Service revenue	837,822	90	60 days	Similar with general transactions	No material difference	156,065	84	
Innolux Japan Co., Ltd.	Innolux Corporation	Ultimate parent company	Service revenue	315,775	71	60 days	Similar with general transactions	No material difference	46,042	86	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	6,089,981	13	60 days	Similar with general transactions	No material difference	1,728,246	10	
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	Sales	4,338,257	10	60 days	Similar with general transactions	No material difference	1,867,924	12	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,605,777	70	60 days	Similar with general transactions	No material difference	352,180	50	
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,114,450	3	60 days	Similar with general transactions	No material difference	252,859	3	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	Sales	704,961	31	60 days	Similar with general transactions	No material difference	214,161	30	
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	An indirect wholly-owned subsidiary	Sales	307,105	13	60 days	Similar with general transactions	No material difference	49,646	7	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,771,118	4	90 days after goods are shipped	Similar with general transactions	No material difference	(544,023)	6	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,583,931	4	90 days after goods are shipped	Similar with general transactions	No material difference	(459,642)	6	
InnoCare Optoelectronics Corporation	FI Medical Device Manufacturing Co., Ltd.	Other related party	Purchases	849,414	43	30 days after acceptance	Similar with general transactions	No material difference	(114,512)	10	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Ningbo Innolux Optoelectronics Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	$ 487,392	1	90 days after goods are shipped	Similar with general transactions	No material difference	$ -	-	A
Foshan Innolux Optoelectronics Ltd.	Cheng Mei Materials Technology Corporation	Other related party	Purchases	321,661	1	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A
Nanjing Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	178,961	1	90 days after goods are shipped	Similar with general transactions	No material difference	(18,590)	-	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	164,912	-	90 days after goods are shipped	Similar with general transactions	No material difference	(49,354)	-	
Foshan Innolux Optoelectronics Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	129,233	-	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A
Ningbo Innolux Display Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	113,642	-	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A

(Note A) It was recognized as a non-related party in May 2020.

Innolux Corporation and Subsidiaries

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	$ 4,358,767	4.00	$ -	-	$ 2,195,261	$ -
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	1,619,004	2.75	402,296	Subsequent collection	-	-
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	134,483 (Shown as other receivables)	-	-	-	-	-
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	1,193,923	1.91	23,720	Subsequent collection	214,984	-
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	918,101	1.22	770,445	Subsequent collection	35,670	-
Innolux Corporation	Hongfujin Precision Electronics (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	598,634	8.16	-	-	376,084	-
Innolux Corporation	CarUX Technology Inc.	An indirect wholly-owned subsidiary	488,643 (Shown as other receivables)	-	463,785	Subsequent collection	197,865	-
Foshan Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	20,055,436	1.58	14,545,879	Subsequent collection	6,043,472	-
Ningbo Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	14,160,794	1.46	8,772,176	Subsequent collection	3,605,398	-
Innolux Hong Kong Limited	Innolux Corporation	Ultimate parent company	9,038,281	2.34	-	-	-	-
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	7,751,062	1.94	3,646,291	Subsequent collection	2,931,358	-
Ningbo Innolux Display Ltd.	Innolux Corporation	Ultimate parent company	5,846,718	3.50	2,379,309	Subsequent collection	3,887,542	-
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	1,867,924	2.75	-	-	582,275	-
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	1,728,246	4.59	345,534	Subsequent collection	1,190,114	-
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	1,443,648	4.32	-	-	1,049,037	-
Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	530,594	0.53	-	-	530,594	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Lakers Trading Limited	Innolux Corporation	Ultimate parent company	$ 524,284 (Shown as other receivables)	-	$ 472,813	Subsequent collection	$ 524,284	$ -
CarUX Technology Inc.	Innolux Corporation	Ultimate parent company	442,099	6.28	-	-	142,445	-
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	352,180	4.57	143,057	Subsequent collection	114,127	-
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	252,859	4.39	-	-	146,956	-
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	214,161	5.26	112,613	Subsequent collection	74,473	-
Innolux Europe B.V.	Innolux Corporation	Ultimate parent company	156,065	6.90	1,189	-	93,532	-

Note A：For the information on receivables of loans to related parties reaching NT$100 million or 20% of paid-in capital or more, please refer to Table 1.

Innolux Corporation and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	Lakers Trading Limited	1	Sales	$ 1,356,544	-	1
0	Innolux Corporation	Lakers Trading Limited	1	Processing expense	26,356,710	-	10
0	Innolux Corporation	Innolux Hong Kong Limited	1	Sales	5,491,141	-	2
0	Innolux Corporation	Innolux Hong Kong Limited	1	Processing expense	21,442,637	-	8
0	Innolux Corporation	Innolux Hong Kong Limited	1	Accrued expenses	(9,038,281)	-	2
0	Innolux Corporation	Leadtek Global Group Limited	1	Processing expense	10,510,381	-	4
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Processing expense	9,042,628	-	3
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Accrued expenses	(14,160,794)	-	4
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	802,468	-	-
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Processing expense	14,691,092	-	5
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Accrued expenses	(20,055,436)	-	5
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Processing expense	9,749,556	-	4
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Accrued expenses	(5,846,718)	-	2
0	Innolux Corporation	Innolux USA Inc.	1	Sales	18,559,893	-	7
0	Innolux Corporation	Innolux USA Inc.	1	Accounts receivable	4,358,767	-	1
0	Innolux Corporation	CarUX Technology Inc.	1	Other receivables	488,643	-	-
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Sales	952,627	-	-
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Accounts receivable	918,101	-	-
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Sales	2,223,300	-	1
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Accounts receivable	1,619,004	-	-
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Other receivables	134,483	-	-
1	Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	3	Processing revenue	225,607	-	-
1	Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	3	Accounts receivable	530,594	-	-

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
2	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	$ 15,354,830	-	6
2	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	7,751,062	-	2
3	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Sales	4,338,257	-	2
3	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Accounts receivable	1,867,924	-	-
4	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	5,631,825	-	2
4	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	1,443,648	-	-
5	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Processing revenue	10,563,942	-	4
5	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Sales	6,089,981	-	2
5	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Accounts receivable	1,728,246	-	-
6	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Limited	3	Processing revenue	16,194,375	-	6
7	Ningbo Innolux Display Ltd.	Lakers Trading Limited	3	Processing revenue	10,446,549	-	4
7	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Sales	1,114,450	-	-
7	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Accounts receivable	252,859	-	-
8	Innolux Japan Co., Ltd.	Innolux Corporation	3	Service revenue	315,775	-	-
9	CarUX Technology Inc.	Innolux Corporation	3	Processing revenue	1,388,848	-	1
9	CarUX Technology Inc.	Innolux Corporation	3	Accounts receivable	442,099	-	-
10	InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	3	Sales	307,105	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Sales	1,605,777	-	1
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Accounts receivable	352,180	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Sales	704,961	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Accounts receivable	214,161	-	-
11	Innolux Europe B.V.	Innolux Corporation	3	Service revenue	837,822	-	-
11	Innolux Europe B.V.	Innolux Corporation	3	Accounts receivable	156,065	-	-
12	Lakers Trading Limited	Innolux Corporation	3	Other receivables	524,284	-	-

Note A: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.
(1) Number 0 represents the parent company.
(2) The subsidiaries are numbered in order from number 1.

Note B: 1 refers to the parent company to the subsidiary.
3 refers to the subsidiary to the subsidiary.

Note C: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was mainly 30~90 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note D: Amount disclosure standard: purchases, sales and receivables from related parties in excess of $100 million or 20% of capital.

Note E: For the information on transactions between the Company and the consolidated subsidiaries relating to nature of loan, please refer to Table 1.

Innolux Corporation and Subsidiaries

Information on investees

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Corporation	Innolux Holding Limited	Samoa	Investment holdings	$ 6,192,509	$ 6,192,509	180,568,185	100	$ 18,213,825	$ 222,572	$ 222,572	
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	62,197	62,197	1,656,410	100	93,365	3,041	3,041	
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	33,438,542	33,438,542	709,450,000	100	46,506,951	971,588	971,588	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,674,115	3,674,115	146,847,000	100	6,051,929	88,589	88,589	
Innolux Corporation	Innolux Hong Kong Holding Limited	Hong Kong	Investment holdings	3,231,780	3,231,780	1,158,844,000	100	6,857,505	855,636	855,636	
Innolux Corporation	Innolux Singapore Holding Pte. Ltd.	Singapore	Investment holdings	754,943	754,943	25,400,000	100	248,673	(205,278)	(205,278)	
Innolux Corporation	Leadtek Global Group Limited	BVI	Distribution company	-	-	50,000,000	100	1,424,059	61	61	
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	-	100	879,672	3,744	3,744	
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,674,054	1,674,054	167,405,392	100	2,263,222	99,424	99,424	
Innolux Corporation	InnoCare Optoelectronics Corporation	Taiwan	Holdings, R&D, manufacturing and distribution company	200,000	200,000	20,000,000	100	429,093	167,269	167,269	
Innolux Corporation	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,682,751	1,682,751	98	54	2,089,039	95,805	52,156	
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	-	-	4,333	35	-	-	-	
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	308,993	308,993	27,812,188	63	314,178	10,003	6,305	
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	50	834,982	62,094	31,047	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Production and selling of the absorption for medical element	$ 73,500	$ 73,500	7,350,000	49	$ 377,751	$ 352,801	$ 172,872	
Innolux Corporation	eLux, Inc.	USA	R&D of MicroLED technology	91,155	91,155	300,000	28	33,501	(62,744)	(27,358)	
Innolux Holding Limited	Rockets Holding Limited	Samoa	Investment holdings	5,222,180	5,222,180	160,504,550	100	11,744,047	140,264	140,264	
Innolux Holding Limited	Suns Holding Ltd	Samoa	Investment holdings	555,422	555,422	18,177,052	100	6,252,728	82,308	82,308	
Innolux Holding Limited	Lakers Trading Limited	Samoa	Distribution company	-	-	1	100	216,977	-	-	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	3,650,192	3,650,192	146,817,000	100	6,051,597	88,589	88,589	
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Hong Kong	Distribution company	-	-	35,000,000	100	1,213,197	434,366	434,366	
Innolux Hong Kong Holding Limited	Innolux Japan Co.,Ltd.	Japan	Holdings, R&D and distribution company	1,815,603	1,815,603	82	46	1,748,285	95,805	43,649	
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Cayman	Investment holdings	3,772,473	294,690	125,231,749	100	3,895,283	390,504	390,504	
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Singapore	Holdings and distribution company	3,769,371	291,588	125,131,749	100	3,892,513	390,593	390,593	
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Hong Kong	Investment holdings	1,818,180	-	162,897,802	100	1,872,445	242,705	242,705	
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Netherlands	Holding, distribution and R&D testing company	464,341	-	375,810	100	436,612	41,862	41,862	
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Taiwan	R&D, manufacturing and distribution company	1,400,000	-	140,000,000	100	1,436,674	32,495	32,495	
Innolux Japan Co.,Ltd.	Innolux USA, Inc.	USA	Distribution company	369,092	369,092	12,842	100	826,092	96,636	96,636	
Rockets Holding Limited	Stanford Developments Limited	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	11,718,556	140,771	140,771	
Rockets Holding Limited	Nets Trading Ltd.	Samoa	Investment company	27,477	27,477	900,001	100	25,363	(507)	(507)	
Suns Holding Ltd	Warriors Technology Investments Ltd	Samoa	Investment company	555,422	555,422	18,177,052	100	6,252,726	82,308	82,308	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	17,421	2,748	2,748	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics India Private Limited	India	Distribution company	$ 607,284	$ 302,198	144,095,499	100	$ 100,057	($ 205,675)	($ 205,675)	
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics Philippines Corp.	Philippines	Manufacturer and distribution company	28,733	28,733	5,000,000	100	28,074	(274)	(274)	
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics Malaysia SDN. BHD.	Malaysia	Manufacturer and distribution company	121,179	121,179	16,000,000	100	115,513	394	394	
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distributor company	858	858	77,235	-	872	10,003	18	
Yuan Chi Investment Co., Ltd.	Innolux Optoelectronics India Private Limited	India	Distribution company	-	-	1	-	-	(205,675)	-	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	87,149	87,149	30,010	100	118,528	34,426	34,426	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	USA	Distribution company	27,963	27,963	900,000	100	37,895	11,712	11,712	
GIO Optoelectronics Corp.	Double Star Inc.	Mauritius	Investment holdings	298,113	298,113	10,000,000	100	99,349	(2,369)	(2,369)	

Innolux Corporation and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for year ended December 31, 2020 (Note B)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Innocom Technology (Shenzhen) Co., LTD	Manufacturing and selling of LCD backend module and related components	$ 4,670,720	2	$ 3,614,446	$ -	$ -	$ 3,614,446	$ 140,770	100	$ 140,770	$ 11,718,508	$ 1,056,274	2.1
Guangzhou OED Technologies Co., Ltd.	Manufacturing and selling of electronic paper	296,767	2	56,960	-	-	56,960	160,561	4	-	18,948	-	2.2
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	8,828,800	2	209,757	-	-	209,757	417,233	100	417,233	20,506,150	4,916,643	2.3
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	10,907,840	2	10,907,840	-	-	10,907,840	192,623	100	194,937	20,736,609	-	2.3
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	4,556,800	2	4,556,800	-	-	4,556,800	359,418	100	359,418	5,263,115	-	2.3
Nanjing Innolux Technology Ltd.	Purchases and sales of monitor-related components	59,808	2	59,808	-	-	59,808	70,601	100	70,601	610,146	-	2.4
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,442,880	2	4,102,134	-	-	4,102,134	17,988	100	17,988	5,441,431	-	2.4
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	598,080	2	-	-	-	-	242,705	100	242,705	1,872,445	-	2.5
Foshan Innolux Logistics Ltd.	Warehousing services	42,720	2	42,720	-	-	42,720	2,998	100	2,998	88,726	-	2.6
GIO (Maanshan) Optoelectronics Co., Ltd.	Manufacturing	284,800	2	284,800	-	-	284,800	(2,370)	63	(1,498)	62,628	-	2.7
Ningbo Innolux Electronics Ltd.	R&D, Manufacturing and selling of LCD backend module and related components	67,087	1	-	-	-	-	26,528	100	26,528	105,055	-	
Shenzhen PixinLED Technology Co.,Ltd.	Development and selling of MINI LED	43,648	3	-	-	-	-	(2,618)	100	(2,618)	39,961	-	

Ceiling on investments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Innolux Corporation	$ 24,317,045	$ 30,850,437	(Note D)

Note A: The relevant figures were listed in NT$. Where foreign currencies were involved, the figures were converted to NT$ using exchange rate.

Note B: Profit or loss recognized for the year ended December 31, 2020 was audited by independent auditors.

Note C: The investment methods are as follows:

1. Directly investing in Mainland China.
2. Through investing in companies in the third area, which then invested in the investee in Mainland China.
   - 2.1. Through investing in Stanford Developments Limited in the third area, which then invested in the investee in Mainland China.
   - 2.2. Through investing in Warriors Technology Investments Ltd in the third area, which then invested in the investee in Mainland China.
   - 2.3. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.
   - 2.4. Through investing in Toppoly Optoelectronics (Cayman) Ltd. in the third area, which then invested in the investee in Mainland China.
   - 2.5. Through investing in Innolux Optoelectronics Hong Kong Holding Limited in the third area, which then invested in the investee in Mainland China.
   - 2.6. Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
   - 2.7. Through investing in Double Star Inc. in the third area, which then invested in the investee in Mainland China.
3. Others.

   The company invested via the company investment entities in Mainland China to invest in Shenzhen PixinLED Technology Co.,Ltd. Except for the investment via the holding companies in Mainland China, other investments shall not be approved by Investment Commission of the Ministry of Economic Affairs.

Note D: In accordance with “Rules Governing Applications for Investment or Technical Cooperation in Mainland China”, the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the ceiling amount of the investment in Mainland China is not applicable to the Company.

I. The amount approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 10,000 thousand, Amlink (Shanghai) Ltd. has finished liquidation in December 2019 but has not yet applied for the cancellation of investment with the Investment Commission of MOEA.

II. The amount approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 34,676 thousand, Interface Technology (ChengDu) Co., Ltd. disposed the equity interest held in its parent company, General Interface Solution (GIS) Holding Limited, on the open market but has not yet applied for the cancellation of investment with the Investment Commission of MOEA.

III. The Group adjusted the investment structure in the fourth quarter of 2020. InnoCare Optoelectronics Corporation acquired 100% of shares in Ningbo Innolux Electronics Ltd. The investment amount of InnoCare Optoelectronics Corporation to Ningbo Innolux Electronics Ltd. approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 3,172 thousand. However, as of December 31, 2020, the investment amount has not yet been remitted.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Innolux Corporation:

Opinion

We have audited the accompanying parent company only balance sheets of Innolux Corporation (the "Company") as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the financial statements for the year ended December 31, 2020 are outlined as follows:

Inventory valuation

Description

The industry is characterized in its significant fluctuations closely in connection with the economic environment. As the technology evolves rapidly, the launch of new products may cause major changes in consumer demand or due to the update of production approach, the existing products may become obsolete or no longer meet market needs. The Company has evaluated the inventory by taking into account of allowance, obsoleteness or trivial sales amount and the cost has been written down to the net realizable value. The abovementioned allowance for inventory valuation losses mainly arose from the excess of the cost of inventory over the net realizable value of inventory. For details of inventory, please refer to Note 6(7). There is a risk of the excess of the cost of inventory over the net realizable value of inventory as a result of that the amounts of inventories are material and the sales prices of related products may have significant fluctuations because of market demand; we consider inventory valuation a key audit matter.

How our audit addressed the matter

We compared financial statements to ascertain the provision policy on allowance for inventory valuation losses has been consistently applied and assessed the reasonableness of the provision policy; obtained the net realizable value report of inventory used by management for evaluation and obtained an understanding of sales price basis adopted by management for abovementioned inventory along with the related supporting documents; sampled individual inventory item numbers and checked them against historical data on inventory clearance and discount to assess the reasonableness of net realizable value and the appropriateness of valuation basis.

Valuation and impairment of goodwill and property, plant and equipment

Description

For details of the impairment valuation of goodwill and property, plant and equipment, please refer to Notes 6(9) and 6(12).

Innolux Corporation measures the recoverable amount of the cash generating unit to determine whether goodwill and property, plant and equipment may be impaired based on future cash flows with appropriate discount rates, and future cash flows are estimated based on how assets are utilized, duration years of

assets and projected income and expenses in the future. As these estimates, which are uncertain and dependent upon significant judgment from management, involve several assumptions such as determination of discount rates, expected growth rate and future financial projections, we consider management's assessment of impairment of goodwill and property, plant and equipment a key audit matter.

How our audit addressed the matter

We assessed the key assumptions used by management in estimating expected future cash flows, including the reasonableness of expected operating revenue, gross profit, changes in expenses, and the basic assumptions applied in expected future cash flows. We also examined the parameters of discount rates, including the risk-free rate of return on equity capital, the risk factor of the industry and the rate of return on similar investments in the market.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31,2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

February 4, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

	Assets	Notes	December 31, 2020	December 31, 2019
	Current Assets			
1100	Cash and cash equivalents	6(1)	$ 15,501,787	$ 23,892,085
1110	Financial assets at fair value through profit or loss - current	6(2)	706,299	7,660
1136	Financial assets at amortized cost - current	6(4)	37,812,579	17,793,800
1170	Accounts receivable, net	6(5)	42,376,926	31,348,610
1180	Accounts receivable, net - related parties	7	9,229,916	8,274,534
1200	Other receivables	6(2)	2,417,099	620,723
1210	Other receivables - related parties	7	681,454	660,155
130X	Inventory	6(7)	25,828,702	26,359,099
1410	Prepayments		1,656,248	3,344,555
1479	Other current assets		53,063	20,558
11XX	**Total current assets**		136,264,073	112,321,779
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	2,350,833	2,651,408
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	957,222	965,431
1550	Investments accounted for under equity method	6(8)	86,617,745	83,068,937
1600	Property, plant and equipment	6(9), 7 and 8	147,618,538	164,083,562
1755	Right-of-use assets	6(10)	4,824,282	5,350,404
1760	Investment property, net	6(11)	499,444	527,232
1780	Intangible assets	6(12) and 8	17,365,850	17,446,858
1840	Deferred income tax assets	6(30)	7,105,972	7,339,101
1990	Other non-current assets	6(9) and 8	1,143,729	2,011,704
15XX	**Total non-current assets**		268,483,615	283,444,637
1XXX	**Total assets**		$ 404,747,688	$ 395,766,416

(Continued)

	Liabilities and Equity	Notes	December 31, 2020	December 31, 2019
	Current Liabilities			
2120	Financial liabilities at fair value	6(2)		
	through profit or loss - current		$ 3,214,013	$ 345,003
2170	Accounts payable		22,957,390	25,060,763
2180	Accounts payable - related parties	7	49,617,908	61,151,192
2200	Other payables	6(13) and 7	26,755,991	23,314,297
2250	Provisions - current	6(18) and 9	6,144,295	6,772,357
2280	Lease liabilities - current		191,985	430,143
2320	Long-term liabilities, current portion	6(15)	19,217,495	15,956,013
2399	Other current liabilities	7	6,667,652	4,297,573
21XX	**Total current liabilities**		134,766,729	137,327,341
	Non-current liabilities			
2530	Corporate bonds payable	6(14)	5,374,293	-
2540	Long-term borrowings	6(15)	20,381,002	19,550,268
2570	Deferred income tax liabilities	6(30)	1,602,283	1,465,526
2580	Lease liabilities - non-current		4,881,214	4,959,354
2670	Other non-current liabilities	6(16)	372,507	536,223
25XX	**Total non-current liabilities**		32,611,299	26,511,371
2XXX	**Total liabilities**		167,378,028	163,838,712
	Equity			
	Share capital	6(19)		
3110	Share capital - common stock		97,110,720	97,110,720
3130	Certificates of entitlement to new			
	shares from convertible bonds		2,293,612	-
3200	Capital surplus	6(20)	99,707,996	100,362,379
	Retained earnings	6(21)		
3310	Legal reserve		7,870,713	7,870,713
3320	Special reserve		7,325,437	4,663,463
3350	Unappropriated retained earnings		29,120,853	29,864,446
3400	Other equity interest	6(22)	(6,059,671)	(7,325,437)
3500	Treasury shares	6(19)	-	(618,580)
3XXX	**Total equity**		237,369,660	231,927,704
3X2X	**Total liabilities and equity**		$ 404,747,688	$ 395,766,416

	Items	Notes	2020	2019
4000	Sales revenue	6(23) and 7	$ 265,436,103	$ 249,384,126
5000	Operating costs	6(7)(28) and 7	(250,452,241)	(254,797,481)
5900	Net operating margin (loss)		14,983,862	(5,413,355)
	Operating expenses	6(28) and 7		
6100	Selling expenses		(1,149,193)	(1,226,054)
6200	General and administrative expenses		(4,427,271)	(4,708,808)
6300	Research and development expenses		(11,035,969)	(11,543,290)
6000	Total operating expenses		(16,612,433)	(17,478,152)
6900	Operating loss		(1,628,571)	(22,891,507)
	Non-operating income and expenses			
7100	Interest income	6(24)	271,839	683,012
7010	Other income	6(25) and 7	1,874,672	1,418,328
7020	Other gains and losses	6(26)	68,086	1,344,637
7050	Finance costs	6(27)	(1,025,357)	(1,027,787)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		2,441,668	2,658,336
7000	Total non-operating income and expenses		3,630,908	5,076,526
7900	**Profit (loss)before income tax**		2,002,337	(17,814,981)
7950	Income tax (expense) benefit	6(30)	(366,193)	371,991
8200	**Profit (loss) for the year**		$ 1,636,144	($ 17,442,990)
	Other comprehensive income (loss) (net)			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Remeasurement of defined benefit plans	6(16)	$ 57,639	($ 58,246)
8316	Unrealized losses on financial assets at fair value through other comprehensive income	6(22)	(8,209)	(145,957)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	6(22)	889,942	445,388
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(9,886)	86,781
8310	Components of other comprehensive income that will not be reclassified to profit or loss		929,486	327,966
	Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	6(22)	680,959	(2,951,172)
8380	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for under equity method	6(22)	(62,442)	(85,365)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		618,517	(3,036,537)
8300	**Other comprehensive income (loss) for the year, net of tax**		$ 1,548,003	($ 2,708,571)
8500	**Total comprehensive income (loss) for the year**		$ 3,184,147	($ 20,151,561)
	Earnings (loss) per share (in dollars)	6(31)		
9750	Basic earnings (loss) per share		$ 0.17	($ 1.77)
9850	Diluted earnings (loss) per share		$ 0.17	($ 1.77)

2019											
Balance at January 1		$ 99,520,720	$ -	$ 99,648,115	$ 7,648,437	$ 1,090,721	$ 51,746,175	($ 6,461,149)	$ 1,797,686	$ -	$ 254,990,705
Loss for the year		-	-	-	-	-	(17,442,990)	-	-	-	(17,442,990)
Other comprehensive (loss) income for the year	6(22)	-	-	-	-	-	(46,597)	(3,036,537)	374,563	-	(2,708,571)
Total comprehensive (loss) income		-	-	-	-	-	(17,489,587)	(3,036,537)	374,563	-	(20,151,561)
Appropriation of 2018 earnings:	6(21)										
Legal reserve		-	-	-	222,276	-	(222,276)	-	-	-	-
Special reserve		-	-	-	-	3,572,742	(3,572,742)	-	-	-	-
Cash dividends		-	-	-	-	-	(597,124)	-	-	-	(597,124)
Recognition of change in equity of associates in proportion to the Company's ownership	6(20)	-	-	(14,755)	-	-	-	-	-	-	(14,755)
Recognition of changes in ownership interests in subsidiaries	6(20)	-	-	24	-	-	-	-	-	-	24
Purchase of treasury shares	6(19)	-	-	-	-	-	-	-	-	(2,299,624)	(2,299,624)
Cancellation of treasury shares	6(19)(20)	(2,410,000)	-	728,956	-	-	-	-	-	1,681,044	-
Others	6(20)	-	-	39	-	-	-	-	-	-	39
Balance at December 31		$ 97,110,720	$ -	$ 100,362,379	$ 7,870,713	$ 4,663,463	$ 29,864,446	($ 9,497,686)	$ 2,172,249	($ 618,580)	$ 231,927,704
2020											
Balance at January 1		$ 97,110,720	$ -	$ 100,362,379	$ 7,870,713	$ 4,663,463	$ 29,864,446	($ 9,497,686)	$ 2,172,249	($ 618,580)	$ 231,927,704
Profit for the year		-	-	-	-	-	1,636,144	-	-	-	1,636,144
Other comprehensive income for the year	6(22)	-	-	-	-	-	46,111	618,517	883,375	-	1,548,003
Total comprehensive income		-	-	-	-	-	1,682,255	618,517	883,375	-	3,184,147
Appropriation of 2019 earnings:	6(21)										
Special reserve		-	-	-	-	2,661,974	(2,661,974)	-	-	-	-
Cash dividends from capital surplus	6(20)	-	-	(963,107)	-	-	-	-	-	-	(963,107)
Recognition of change in equity of associates in proportion to the Company's ownership	6(20)	-	-	21,005	-	-	-	-	-	-	21,005
Conversion of convertible bonds	6(19)(20)	-	2,293,612	243,805	-	-	-	-	-	-	2,537,417
Recognition of changes in ownership interests in subsidiaries	6(20)	-	-	38	-	-	-	-	-	-	38
Disposal of investments in equity instruments measured at fair value through other comprehensive income		-	-	-	-	-	236,126	-	(236,126)	-	-
Treasury shares transferred to employees	6(19)(20)	-	-	42,182	-	-	-	-	-	618,580	660,762
Others	6(20)	-	-	1,694	-	-	-	-	-	-	1,694
Balance at December 31		$ 97,110,720	$ 2,293,612	$ 99,707,996	$ 7,870,713	$ 7,325,437	$ 29,120,853	($ 8,879,169)	$ 2,819,498	$ -	$ 237,369,660

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		$ 2,002,337	($ 17,814,981)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortization	6(28)	30,901,299	30,888,735
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		276,999	(1,343,327)
Compensation cost of share-based payments	6(17)	378,311	-
Share of profit of subsidiaries and associates accounted for under equity method		(2,441,668)	(2,658,336)
Gain on disposal of investments		-	(19,001)
(Gain) loss on disposal of property, plant and equipment		(176,611)	1,965
Gain on lease modification		-	(951)
Interest income	6(24)	(271,839)	(683,012)
Dividend income	6(25)	(103,079)	(13,301)
Interest expense	6(27)	1,025,357	1,027,787
Foreign exchange (gain) loss		(389,832)	60,811
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets /liabilities at fair value through profit or loss		(1,038,189)	477,616
Accounts receivable		(11,028,316)	7,827,927
Accounts receivable - related parties		(955,382)	173,440
Other receivables		701,784	(87,150)
Inventories		530,397	446,546
Prepayments		429,534	(2,821,526)
Other current assets		(1,252)	1,714
Changes in operating liabilities			
Accounts payable		(2,103,373)	(1,716,365)
Accounts payable - related parties		(11,533,284)	(1,314,316)
Other payables		113,941	(3,801,853)
Provisions - current		(628,062)	(10,557)
Other current liabilities		2,370,079	1,113,902
Other non-current liabilities		(81,561)	(19,085)
Cash inflow generated from operations		7,977,590	9,716,682
Cash paid for income tax		(6,193)	(1,762,721)
Net cash flows from operating activities		7,971,397	7,953,961

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other receivables - related parties		($ 21,299)	($ 266,637)
Acquisition of financial assets at fair value through profit or loss		(199,705)	(145,249)
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	1,277,031	35,585
(Increase) decrease in financial assets at amortized cost - current		(19,988,472)	31,933,350
Increase in investment accounted for under equity method		-	(592,405)
Proceeds from capital reduction of investments accounted for under equity method		-	27,397
Proceeds from disposal of investments accounted for under equity method	7	197,629	-
Increase in refundable deposits		(496,326)	(20,344)
Acquisition of property, plant and equipment	6(33)	(16,438,552)	(19,876,808)
Proceeds from disposal of property, plant and equipment		1,378,528	276,715
Acquisition of intangible assets	6(12)	-	(480)
Interest received		291,321	744,541
Dividends received		331,101	583,310
Net cash flows (used in) from investing activities		(33,668,744)	12,698,975
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		20,000,000	500,000
Repayment of long-term borrowings		(15,980,000)	(16,210,000)
Proceeds from issuance of bonds	6(34)	8,900,934	-
Increase in other payables - related parties	6(13) and 7	6,026,890	-
Cash paid from capital surplus	6(21)	(963,107)	-
Cash dividends paid	6(21)	-	(597,124)
Interest paid		(674,003)	(982,242)
Repayment of the principal portion of lease liabilities		(284,521)	(441,822)
Treasury shares transferred to employees		279,162	-
Payments to acquire treasury shares	6(19)	-	(2,299,624)
Others	6(20)	1,694	39
Net cash flows from (used in) financing activities		17,307,049	(20,030,773)
Net (decrease) increase in cash and cash equivalents		(8,390,298)	622,163
Cash and cash equivalents at beginning of year		23,892,085	23,269,922
Cash and cash equivalents at end of year		$ 15,501,787	$ 23,892,085

INNOLUX CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Innolux Corporation (the "Company") was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in the Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the "TSEC") in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2) The Company engages in the research, development, design, manufacture, and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 4, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair

value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognized in other comprehensive income.

(10) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under the equity method / subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

E. The Company’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies

of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~51years
Machinery and equipment	5~9 years

Other equipment 2~6 years

(16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 ~ 50 years.

(18) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Patent, royalties and other intangible assets are amortized on a straight-line basis over their estimated useful lives of 2 ~ 10 years.

(19) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal

should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings and other short-term loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Convertible bonds payable (convertible bonds which are hybrid financial instruments)

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have

the right to convert the bonds into the Company's common shares, but not exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded conversion options, call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognized at the residual value of total issue price less the amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.

C. Any transaction costs directly attributable to the issuance are allocated to each liability component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Provisions

Provisions (including warranties, litigations, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) Treasury shares

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(30) Revenue recognition

A. The Company is primarily engaged in manufacture and sale of TFT-LCD panel products. The Company recognizes revenue when the right of control is transferred to the customer when the products are delivered to customer and the Company has no unperformed obligation that could affect customer acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is calculated based on the contract price, net of volume discounts and sales returns and discounts. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts/ sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each

reporting date. A refund liability is recognized for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made, which is consistent with market practice.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Business combinations

A. The Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. For the information of critical accounting judgments, estimates and key sources of assumption uncertainty is addressed below:

(1) Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions

that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(12) for the information of goodwill impairment.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Company assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future. Please refer to Notes 6(9) and 6(12) for the information of impairment assessment impairment.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand, demand deposits and checking accounts	$ 15,501,787	$ 16,396,085
Time deposits	-	7,496,000
	$ 15,501,787	$ 23,892,085

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above time deposits expire in 3 months and risks of changes in their values are remote.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2020	December 31, 2019
Current items		
Financial assets mandatorily measured at fair value through profit or loss		
Forward foreign exchange contracts	$ 706,299	$ 7,660
Non-current items		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 823,286	$ 420,524
Unlisted stocks	1,527,547	2,230,884
	$ 2,350,833	$ 2,651,408
Liabilities		
Current items		
Financial liabilities held for trading		
Convertible bonds derivative instruments	$ 3,208,560	$ -
Forward foreign exchange contracts	5,453	345,003
	$ 3,214,013	$ 345,003

A. The Company sold $2,536,122 of stocks at fair value during the year ended December 31, 2020 and the amount of receivables (shown as other receivables) outstanding as of December 31, 2020 was $1,259,091.

B. The Company entered into a 'Share Issuance and Asset Purchase Agreement' with Nanjing Huadong Electronic Information & Technology Co., Ltd (Huadong Electronic) during the year ended December 31, 2020. Refer to Note 9(2) for relevant information.

C. The non-hedging derivative financial assets and liabilities transaction information are as follows:

	December 31, 2020			December 31, 2019		
Derivative financial assets and liabilities	Contract Amount (Notional Principal) (in thousands)		Contract Period	Contract Amount (Notional Principal) (in thousands)		Contract Period
Current items						
Forward foreign exchange contracts	USD (sell)	$ 170,000	2020/11-2021/02	USD (sell)	$ 37,000	2019/12-2020/01
	JPY (buy)	17,711,370	2020/11-2021/02	JPY (buy)	4,040,505	2019/12-2020/01
Forward foreign exchange contracts	TWD (sell)	4,034,150	2020/11-2021/02	EUR (sell)	35,000	2019/12-2020/03
	JPY (buy)	15,000,000	2020/11-2021/02	HKD (buy)	304,588	2019/12-2020/03
Forward foreign exchange contracts	USD (sell)	1,154,000	2020/10-2021/04	HKD (sell)	646,350	2019/11-2020/03
	RMB (buy)	7,666,078	2020/10-2021/04	USD (buy)	82,500	2019/11-2020/03
Forward foreign exchange contracts	USD (sell)	140,000	2020/12-2021/01	USD (sell)	30,000	2019/12-2020/01
	TWD (buy)	3,924,200	2020/12-2021/01	TWD (buy)	896,400	2019/12-2020/01
Forward foreign exchange contracts				TWD (sell)	11,287,592	2019/09-2020/04
				JPY (buy)	39,900,000	2019/09-2020/04

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds in foreign currency. However, these contracts are not accounted for using hedge accounting.

(3) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Non-current items		
Equity instruments		
Unlisted stocks	$ 957,222	$ 965,431

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. For information on other comprehensive income for fair value change recognized by the Company for the years ended December 31, 2020 and 2019, please refer to Note 6(22) "Other equity".

(4) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Current items		
Time deposits with maturity over three months	$ 37,812,579	$ 17,793,800

The Company recognized $148,649 and $348,442 of interest income arising from the financial assets at amortized cost for the years ended December 31, 2020 and 2019, respectively.

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	$ 42,586,299	$ 31,557,983
Less: Allowance for uncollectible accounts	(209,373)	(209,373)
	$ 42,376,926	$ 31,348,610

A. The aging analysis of accounts receivable is as follows:

	December 31, 2020	December 31, 2019
Not past due	$ 42,107,184	$ 31,116,246
Up to 60 days	293,547	372,085
61 to 180 days	127,536	46,259
Over 180 days	58,032	23,393
	$ 42,586,299	$ 31,557,983

The above aging analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to $39,385,910.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Transfer of financial assets

A. Transferred financial assets that are derecognized in their entirety

The Company entered into a factoring agreement with financial institutions to sell its accounts

receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognized the transferred accounts receivable. As of December 31, 2020, the transferred accounts receivable had all been collected.

B. The Company has no transfer of financial assets on December 31, 2019.

(7) Inventories

	December 31, 2020	December 31, 2019
Raw materials and supplies	$ 3,341,200	$ 2,921,564
Work in progress	12,238,343	13,561,743
Finished goods	10,249,159	9,875,792
	$ 25,828,702	$ 26,359,099

For the years ended December 31, 2020 and 2019, the Company recognized cost of goods sold for inventories that have been sold at $250,353,029 and $254,720,156 and recognized net inventory loss at $99,212 and $77,325 due to write down (reversal) of cost of scrap inventories to net realizable value, respectively.

(8) Investments accounted for under the equity method

	December 31, 2020	December 31, 2019
Subsidiaries:		
Landmark International Ltd.	$ 46,506,951	$ 44,796,827
Innolux Holding Limited	18,213,825	17,999,010
Innolux Hong Kong Holding Limited	6,857,505	6,029,594
Toppoly Optoelectronics (B.V.I.) Ltd.	6,051,929	5,866,239
Innolux Japan Co., Ltd.	2,089,039	2,058,019
InnoJoy Investment Corporation	2,263,222	1,298,925
Leadtek Global Group Limited	1,424,059	1,499,000
Yuan Chi Investment Co., Ltd.	879,672	875,925
InnoCare Optoelectronics Corporation	429,093	249,967
GIO Optoelectronics Corp.	314,178	312,376
Innolux Singapore Holding Pte. Ltd.	248,673	460,523
Others	93,365	288,962
Associates:		
Ampower Holding Ltd.	834,982	865,362
FI Medical Device Manufacturing Co., Ltd.	377,751	427,338
Others	33,501	40,870
	$ 86,617,745	$ 83,068,937

A. The Company's subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

B. The Company's associates

The operating results of the Company's share in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2020	2019
Profit for the year from continuing operations	$ 176,561	$ 307,307
Other comprehensive loss - net of tax	(62,442)	(85,424)
Total comprehensive income	$ 114,119	$ 221,883

(9) Property, plant and equipment

	2020				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Land	$ 3,852,792	$ -	$ -	$ -	$ 3,852,792
Buildings	177,931,127	325,360	(383,892)	869,866	178,742,461
Machinery and equipment	471,569,307	2,236,789	(6,673,937)	8,711,016	475,843,175
Other equipment	39,735,000	15,039	(1,190,779)	3,611,856	42,171,116
	693,088,226	2,577,188	(8,248,608)	13,192,738	700,609,544
Accumulated depreciation and impairment:					
Buildings	(116,872,483)	(7,336,500)	379,139	-	(123,829,844)
Machinery and equipment	(389,884,488)	(19,019,880)	5,577,453	(65,027)	(403,391,942)
Other equipment	(34,313,323)	(3,870,917)	1,090,099	65,027	(37,029,114)
	(541,070,294)	(30,227,297)	7,046,691	-	(564,250,900)
Unfinished construction and equipment under acceptance	12,065,630	11,220,536	-	(12,026,272)	11,259,894
	$ 164,083,562				$ 147,618,538

	2019				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Land	$ 3,852,792	$ -	$ -	$ -	$ 3,852,792
Buildings	174,483,964	416,472	(57,696)	3,088,387	177,931,127
Machinery and equipment	463,136,186	2,346,130	(1,668,329)	7,755,320	471,569,307
Other equipment	36,714,927	1,974	(2,477,295)	5,495,394	39,735,000
	678,187,869	2,764,576	(4,203,320)	16,339,101	693,088,226
Accumulated depreciation and impairment:					
Buildings	(109,727,532)	(7,157,774)	49,674	(36,851)	(116,872,483)
Machinery and equipment	(371,350,695)	(19,154,978)	1,455,347	(834,162)	(389,884,488)
Other equipment	(31,406,700)	(3,836,924)	2,419,620	(1,489,319)	(34,313,323)
	(512,484,927)	(30,149,676)	3,924,641	(2,360,332)	(541,070,294)
Unfinished construction and equipment under acceptance	10,513,199	15,552,556	-	(14,000,125)	12,065,630
	$ 176,216,141				$ 164,083,562

A. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

B. As of December 31, 2020 and 2019, the prepayments for business facilities which have not yet entered the factory (shown as 'other non-current assets') amounted to $234,124 and $1,500,976, respectively.

C. Information on impairment assessments is provided in Note 6(12).

(10) Leasing arrangements－lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods of 9 to 28 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise office and equipment. Low-value assets comprise computer equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 4,824,282	$ 5,350,404

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 464,820	$ 481,210

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 93,960	$ 105,436
Expense on variable lease payments	44,841	46,472
Expense on leases of low-value assets	36,425	36,954
Expense on short-term lease contracts	20,668	20,780

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were $450,234 and $651,464, respectively.

(11) Investment property

	2020		
	At January 1	Additions	At December 31
Cost:			
Land	$ 188,247	$ -	$ 188,247
Buildings	439,228	-	439,228
	627,475	-	627,475
Accumulated depreciation and impairment:			
Buildings	(100,243)	(27,788)	(128,031)
	$ 527,232		$ 499,444

	2019		
	At January 1	Additions	At December 31
Cost:			
Land	$ 188,247	$ -	$ 188,247
Buildings	439,228	-	439,228
	627,475	-	627,475
Accumulated depreciation and impairment:			
Buildings	(75,505)	(24,738)	(100,243)
	$ 551,970		$ 527,232

The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was $2,035,178 and $1,906,827, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information categorized within Level 3 in the fair value hierarchy.

(12) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty. Details of intangible assets are as follows:

	2020				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Patents and royalty	$ 8,158,285	$ -	$ -	$ 26,150	$ 8,184,435
Goodwill	17,096,628	-	-	-	17,096,628
Others	4,520,618	-	(15,042)	74,236	4,579,812
	29,775,531	-	(15,042)	100,386	29,860,875
Accumulated amortization and impairment:					
Patents and royalty	(8,151,569)	(5,144)	-	-	(8,156,713)
Others	(4,177,104)	(176,250)	15,042	-	(4,338,312)
	(12,328,673)	(181,394)	15,042	-	(12,495,025)
	$17,446,858				$17,365,850

	2019				
	At January 1	Additions	Disposals	Transfer	At December 31
Cost:					
Patents and royalty	$ 8,154,685	$ -	$ -	$ 3,600	$ 8,158,285
Goodwill	17,096,628	-	-	-	17,096,628
Others	4,471,948	480	(28,035)	76,225	4,520,618
	29,723,261	480	(28,035)	79,825	29,775,531
Accumulated amortization and impairment:					
Patents and royalty	(8,147,365)	(4,204)	-	-	(8,151,569)
Others	(3,976,232)	(228,907)	28,035	-	(4,177,104)
	(12,123,597)	(233,111)	28,035	-	(12,328,673)
	$ 17,599,664				$ 17,446,858

B. Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Operating costs	$ 59,515	$ 84,397
Operating expenses	121,879	148,714
	$ 181,394	$ 233,111

C. The Company is primarily engaged in the manufacture of TFT-LCD products, which is a single cash-generating unit. The Company performed impairment analysis for recoverable amount of the goodwill at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 12.07% and 12.51%, respectively, for the years ended December 31, 2020 and 2019, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Company did not recognize impairment loss on goodwill for the years ended December 31, 2020 and 2019, respectively.

(13) Other payables

	December 31, 2020	December 31, 2019
Other personnel expenses	$ 6,726,431	$ 7,009,823
Loans from related parties	5,972,310	-
Payable on machinery and equipment	2,696,540	5,337,368
Repairs and maintenance expense payable	2,462,924	2,400,555
Utilities expense payable	1,060,801	1,045,366
Processing fee payable	998,668	338,407
Other payables	6,838,317	7,182,778
	$ 26,755,991	$ 23,314,297

(14) Bonds payable

	December 31, 2020
Bonds payable	$ 6,231,424
Less: Discount on bonds payable	(857,131)
	$ 5,374,293

A. The issuance of unsecured overseas convertible bonds by the Company in 2019

The terms of the first unsecured overseas convertible bonds issued by the Company in 2019 are as follows

(a) The Company issued USD 300 million, 0% first unsecured overseas convertible bonds, as approved by the regulatory authority on January 15. The bonds mature 5 years from the issue date (January 22, 2020 ~ January 22, 2025) and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to 30 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of December 31, 2020, the conversion price was $10.59 (in dollars) (using the exchange rate 1 USD: 29.913 NTD).

(d) The bondholders have the right to require the Company to redeem bonds at the price of the bonds' face value in whole or partially on the date of three years after the bond issuance.

(e) Under the terms of the bonds, all bonds repurchased (including from secondary market), early redeemed and matured by the Company, or converted and sold back by the bondholder will be cancelled and not to be reissued.

(f) As of December 31, 2020, some convertible bonds were calculated at the conversion price at the time of conversion. Refer to Note 6(19) for relevant information.

B. Regarding the issuance of convertible bonds, the non-equity conversion options, redeem options and put options were separated from their host contracts and were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(15) Long-term borrowings

Type of loans	Period	December 31, 2020	December 31, 2019
Syndicated bank loans	2016/12/6 ~2024/4/15	$ 39,750,000	$ 35,730,000
Less:			
Administrative expenses charged by syndicated banks		(151,503)	(223,719)
Current portion (includes administrative expenses)		(19,217,495)	(15,956,013)
		$ 20,381,002	$ 19,550,268
Range of interest rates		1.79%~2.07%	1.74%~2.07%

A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.

B. The syndicated loan agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, based on the Company's annual consolidated financial statements audited by independent auditors. The Company's financial ratios on the consolidated financial statements for the years ended December 31, 2020 and 2019 are in compliance with the covenants on the syndicated loan agreement.

C. For repayment of borrowings from financial institutions and financing mid-term working capital fund, the Board of Directors approved the signing of a syndicated loan with financial institution in the amount of $37.5 billion on May 5, 2020. As of December 31, 2020, the loan has yet to be drawn down.

(16) Pensions

A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005, and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 2,127,700	$ 2,128,296
Fair value of plan assets	(1,970,661)	(1,835,192)
Net defined benefit liability	$ 157,039	$ 293,104

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	$ 2,128,296	$ 1,835,192	$ 293,104
Current service cost	5,756	-	5,756
Interest expense/income	18,071	15,959	2,112
	23,827	15,959	7,868
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	47,211	(47,211)
Change in financial assumptions	148,100	-	148,100
Experience adjustments	(158,528)	-	(158,528)
Benefits paid	(13,995)	(13,995)	-
	(24,423)	33,216	(57,639)
Contribution for the year	-	86,294	(86,294)
Balance at December 31	$ 2,127,700	$ 1,970,661	$ 157,039

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 2,000,113	$ 1,686,545	$ 313,568
Current service cost	6,039	-	6,039
Interest expense/income	24,926	21,572	3,354
	30,965	21,572	9,393
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	53,738	(53,738)
Change in demographic assumptions	(3,324)	-	(3,324)
Change in financial assumptions	121,231	-	121,231
Experience adjustments	(5,923)	-	(5,923)
Benefits paid	(14,766)	(14,766)	-
	97,218	38,972	58,246
Contribution for the year	-	88,103	(88,103)
Balance at December 31	$ 2,128,296	$ 1,835,192	$ 293,104

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.40%	0.85%
Future salary increases	1.50%	1.50%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 83,849)	$ 87,979	$ 81,342	($ 78,113)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 76,642)	$ 80,299	$ 79,573	($ 76,346)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) As of December 31, 2020, the weighted average duration of the retirement plan is 16 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were $930,738 and $967,971, respectively.

(17) Share-based payment

A. For the year ended December 31, 2020, the share-based payment arrangements of the Company were as follows. Refer to Note 6(17) of the consolidated financial statements for the year ended December 31, 2020 for the information regarding the share-based payment arrangements of the Company's subsidiaries.

Type of loans arrangement	Grant date	Quantity granted (in thousand units)	Contract period (in years)	Vesting conditions
Treasury stock transferred to employees	2020/8/17	80,000	-	Vested immediately

B. The information on fair value of treasury stock transferred to the employees is as follows:

Type of loans arrangement	Grant date	Price (in dollars)	Exercise Price (in dollars)	Fair value per unit (in dollars)
Treasury stock transferred to employees	2020/8/17	8.27	3.5	4.77

C. For the years ended December 31, 2020 and 2019, the Company recognized expenses of $378,311 and $0, respectively, on share-based payment transaction.

(18) Provisions-current

	Warranty	Litigation and others	Total
At January 1, 2020	$ 3,962,332	$ 2,810,025	$ 6,772,357
Additions during the year	1,269,820	286,360	1,556,180
Used (unused amounts reversed) during the year	(2,184,242)	-	(2,184,242)
At December 31, 2020	$ 3,047,910	$ 3,096,385	$ 6,144,295

A. Warranty

The Company provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B. Litigation and others

Litigation and other provisions for the Company are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(19) Share capital

A. As of December 31, 2020, the Company's authorized and outstanding capital were $105,000,000 and $97,110,720, with a par value of $10 (in dollars) per share, respectively. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (including certificate of entitlement to new shares from convertible bonds) are as follows:

	2020	2019
	Number of ordinary shares (in thousand units)	Number of ordinary shares (in thousand units)
At January 1	9,631,072	9,952,072
Stocks converted from bonds	229,361	-
Treasury stock transferred to employees	80,000	-
Stocks retired	-	(321,000)
At December 31	9,940,433	9,631,072

B. The Company's bonds totalling USD 81,200 thousand (face value) had been converted into $2,293,612 of ordinary shares (229,361 thousand shares) with a par value of $10 (in dollars) per share during the year ended December 31, 2020, which resulted in 'capital surplus, additional paid-in capital arising from bond conversion' of $243,805. As of December 31, 2020, the registration has not yet been completed and therefore the shares were shown as 'certificate of entitlement to new shares from convertible bonds'.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

	2020		2019	
	Number of ordinary shares (in thousands)	Book value	Number of ordinary shares (in thousands)	Book value
At January 1	80,000	$ 618,580	-	$ -
Treasury stock transferred to employees	(80,000)	($ 618,580)		
Retirement for the year	-	-	321,000	2,299,624
Cancellation for the year	-	-	(241,000)	(1,681,044)
At December 31	-	$ -	80,000	$ 618,580

In 2019, the Company repurchased shares in order to transfer to employees and maintain the Company's credit rating and shareholders' equity. In November 2019, the Company cancelled the treasury shares which used to maintain the Company's credit rating and shareholders' equity in accordance with Securities and Exchange Act.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and the shareholder's rights should not be enjoyed before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be cancelled.

(e) For the year ended December 31, 2020, treasury stocks transferred to employees of the Company and subsidiaries were 80,000 thousand shares, and cost of employees' compensation and transferred amount were $381,600 and $279,162, respectively. The aforementioned amount is higher than the carrying amount of treasury stock. Thus, the differences were recognized as share capital generated from treasury stock transactions.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

	2020				
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Total
At January 1	$ 97,202,453	$ 3,141,232	$ 24	$ 18,670	$ 100,362,379
Cash dividends from capital surplus	(963,107)	-	-	-	(963,107)
Conversion of convertible bonds	243,805	-	-	-	243,805
Recognition of changes in ownership interests in subsidiaries	-	-	38	-	38
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	21,005	21,005
Treasury stock transferred to employees	-	42,182	-	-	42,182
Others	1,694	-	-	-	1,694
At December 31	$ 96,484,845	$ 3,183,414	$ 62	$ 39,675	$ 99,707,996

	2019				
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Share of profit (loss) of associates accounted for under equity method	Total
At January 1	$ 99,614,690	$ -	$ -	$ 33,425	$ 99,648,115
Cancellation of treasury shares	(2,412,276)	3,141,232	-	-	728,956
Recognition of changes in ownership interests in subsidiaries	-	-	24	-	24
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	(14,755)	(14,755)
Others	39	-	-	-	39
At December 31	$ 97,202,453	$ 3,141,232	$ 24	$ 18,670	$ 100,362,379

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be offset against prior years' operating losses, then set aside 10% of the remaining amount as legal reserve (until the legal reserve equals the paid-in capital). Preferred dividend shall be distributed after setting aside or reversing a special reserve according to related regulations. The appropriation of the remaining amount along with the unappropriated earnings from previous years shall be proposed by the Board of Directors and resolved by the shareholders. The Company is in an emerging industry which is growing rapidly, and has a capital intensive business. The Company is at the stage of stable growth. In line with the Company's long-term financial plan in the future, investment environment and business competition situation, the appropriation of dividends shall be proposed by the Board of Directors and resolved by the shareholders, taking into account the future capital expenditure budget and capital requirement of the Company. However, the stock dividends distributed to shareholders shall not exceed two-thirds of distributable dividends in current period.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. The details of the 2019 deficit compensation which was approved at the stockholders' meeting in June 2020 and the appropriation of 2018 net income which was approved at the stockholders' meeting in June 2019 are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ -		$ 222,276	
Provision of special reserve	2,661,974		3,572,742	
Cash dividends	-	$ -	597,124	$ 0.06
	$ 2,661,974		$ 4,392,142	

Further, the stockholders' meeting in June 2020 approved a resolution to distribute cash dividends amounting to $963,107 at $0.1 (in dollars) per share from capital surplus

(22) Other equity items

	2020		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	($ 9,497,686)	$ 2,172,249	($ 7,325,437)
Revaluation - gross	-	(8,209)	(8,209)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(236,126)	(236,126)
Currency translation differences	680,959	-	680,959
Share of other comprehensive loss of subsidiaries and associates	(62,442)	889,942	827,500
Effect of income tax	-	1,642	1,642
At December 31	($ 8,879,169)	$ 2,819,498	($ 6,059,671)

	2019		
	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1	($ 6,461,149)	$ 1,797,686	($ 4,663,463)
Revaluation - gross	-	(145,957)	(145,957)
Currency translation differences	(2,951,172)	-	(2,951,172)
Share of other comprehensive loss of subsidiaries and associates	(85,365)	445,388	360,023
Effect of income tax	-	75,132	75,132
At December 31	($ 9,497,686)	$ 2,172,249	($ 7,325,437)

(23) Operating income

	Years ended December 31,	
	2020	2019
TFT-LCD products	$ 265,436,103	$ 249,384,126

The Company derives revenue from the transfer of goods at a point in time.

(24) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	$ 123,190	$ 334,570
Interest income from financial assets at amortized cost	148,649	348,442
	$ 271,839	$ 683,012

(25) Other income

	Years ended December 31,	
	2020	2019
Service income	$ 582,125	$ 531,516
Compensation income	283,755	89,135
Rental revenue	173,644	172,075
Dividends revenue	103,079	13,301
Other income	732,069	612,301
	$ 1,874,672	$ 1,418,328

(26) Other gains and losses

	Years ended December 31,	
	2020	2019
Net gain on financial assets and liabilities at fair value through profit or loss	$ 2,120,827	$ 654,547
Net currency exchange (loss) gain	(980,511)	327,080
Others (losses) gains	(1,072,230)	363,010
	$ 68,086	$ 1,344,637

(27) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	$ 666,675	$ 921,958
Convertible bonds	252,686	-
Others	105,996	105,829
	$ 1,025,357	$ 1,027,787

(28) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense:		
Salaries and other short-term employee benefits	$ 24,113,283	$ 25,218,680
Post-employment benefits	938,606	977,364
Employee stock options	378,311	-
Depreciation	30,719,905	30,655,624
Amortization	181,394	233,111
	$ 56,331,499	$ 57,084,779

(29) Employees' compensation and directors' remuneration

A. According to the Articles of Incorporation, of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation

and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 0.1% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $139,349 and $0, respectively; while directors' remuneration was accrued at $2,144 and $0, respectively. The aforementioned amounts were recognized in expenses.

The expenses recognized for 2020 were accrued based on the earnings of current year. The employees' compensation and directors' remuneration were $139,349 and $2,144 in the form of cash, respectively, as resolved by the Board of Directors on February 4, 2021. The accrued amounts were in agreement with the amount of recorded expense for the year ended December 31, 2020.

For the year ended December 31, 2019, the Company incurred net loss and had an accumulated deficit. Thus, there was no distribution of employees' compensation and directors' remuneration as resolved by the Board of Directors on February 13, 2020.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the year	$ 6,193	$ 15,706
Prior year income tax overestimation	-	(887,644)
Total current tax	6,193	(871,938)
Deferred tax:		
Origination and reversal of temporary differences	482,817	533,493
Loss carryforward	(122,817)	(33,546)
Income tax expense (benefit)	$ 366,193	($ 371,991)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	($ 1,642)	($ 75,132)
Remeasurement of defined benefit obligation	11,528	(11,649)
	$ 9,886	($ 86,781)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	$ 400,467	($ 3,562,996)
Effects from items disallowed by tax regulation	165,153	(410,070)
Prior year income tax overestimation	-	(887,644)
Separate taxation	6,193	15,706
Change in assessment of realization of deferred tax assets	(205,620)	4,473,013
Tax expense (benefit)	$ 366,193	($ 371,991)

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	$ 668,568	($ 33,633)	$ -	$ 634,935
Accrued royalties and warranty provisions	1,556,050	(246,247)	-	1,309,803
Unrealized loss on financial instruments	659,943	(67,469)	1,642	594,116
Others	647,364	1,289	(11,528)	637,125
Loss carryforward	3,807,176	122,817	-	3,929,993
	$ 7,339,101	($ 223,243)	($ 9,886)	$ 7,105,972
-Deferred tax liabilities:				
Unrealized exchange gain	($ 225,400)	$ 77,526	$ -	($ 147,874)
Amortization charges on goodwill	(948,863)	(96,906)	-	(1,045,769)
Others	(291,263)	(117,377)	-	(408,640)
	($ 1,465,526)	($ 136,757)	$ -	($ 1,602,283)
	$ 5,873,575	($ 360,000)	($ 9,886)	$ 5,503,689

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Sales returns and discount provisions	$ 475,725	$ 192,843	$ -	$ 668,568
Accrued royalties and warranty provisions	1,539,307	16,743	-	1,556,050
Unrealized exchange loss	162,222	(162,222)	-	-
Unrealized loss on financial instruments	511,246	73,565	75,132	659,943
Others	704,624	(68,909)	11,649	647,364
Loss carryforward	3,773,630	33,546	-	3,807,176
	$ 7,166,754	$ 85,566	$ 86,781	$ 7,339,101
-Deferred tax liabilities:				
Unrealized exchange gain	$ -	($ 225,400)	$ -	($ 225,400)
Amortization charges on goodwill	(851,958)	(96,905)	-	(948,863)
Others	(28,055)	(263,208)	-	(291,263)
	($ 880,013)	($ 585,513)	$ -	($ 1,465,526)
	$ 6,286,741	($ 499,947)	$ 86,781	$ 5,873,575

D. Expiration dates of unused loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2011	Assessed	$ 23,790,717	$ 18,507,136	2021
2012	Assessed	42,430,348	33,007,169	2022
2016	Assessed	1,051,680	818,117	2026
2019	Filed	21,206,403	16,496,761	2029
		$ 88,479,148	$ 68,829,183	

December 31, 2019				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2011	Assessed	$ 24,283,146	$ 19,161,131	2021
2012	Assessed	42,430,348	33,480,565	2022
2016	Assessed	1,051,680	829,850	2026
2019	Estimated	22,482,711	17,740,459	2029
		$ 90,247,885	$ 71,212,005	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 1,446,656	$ 2,357,855

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences unrecognized as deferred tax liabilities were $33,493,308 and $30,463,120, respectively.

G. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

(31) Earnings (loss) per share

	Years ended December 31,	
	2020	2019
Basic earnings (loss) per share		
Net income (loss) for the year	$ 1,636,144	($ 17,442,990)
Weighted average number of ordinary shares outstanding (shares in thousands)	9,664,728	9,857,385
Basic earnings (loss) per share (in dollar)	$ 0.17	($ 1.77)
Diluted earnings (loss) per share		
Profit (loss) of ordinary shareholders	$ 1,636,144	$ 17,442,990
Weighted average number of ordinary shares outstanding (shares in thousands)	9,664,728	9,857,385
Assumed conversion of all dilutive potential ordinary shares:		
-Employees' compensation	9,883	-
	9,674,611	9,857,385
Diluted earnings (loss) per share (in dollar)	$ 0.17	($ 1.77)

For the year ended December 31, 2020, the Company's convertible bonds were not included in the calculation of diluted earnings (loss) per share due to its anti-dilutive effect.

(32) Business combinations

On September 18, 2019, the Company acquired 39% of the share capital of GIO Optoelectronics Corp. for $192,405, which the ownership change from 24% to 63%, and obtained control over GIO Optoelectronics Corp.. The main business of GIO Optoelectronics Corp. is LCD glass substrate processing, LED lighting and its control power supply. As a result of the acquisition, the Company is expected to increase economic scale and strategic synergy. Please refer to Note 6(32) of consolidated financial statements for year ended December 31, 2020 for related information.

(33) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	$ 13,797,724	$ 18,317,132
Add: Opening balance of payable on equipment	5,337,368	6,897,044
Less: Ending balance of payable on equipment	(2,696,540)	(5,337,368)
Cash paid during the year	$ 16,438,552	$ 19,876,808

(34) Changes in liabilities from financing activities

For the year ended December 31, 2020, liabilities from financing activities include other payables - related parties, bonds payable, long-term borrowings and lease liabilities. Changes in those items result from cash flow from financing activities, discount, conversion and amortization of bonds payable as well as changes in exchange rate. The summarized significant changes are as follows and other information is provided in the parent company only statements of cash flows.

	2020
	Bonds payable
At January 1	$ -
Changes in cash flow from financing activities	8,900,934
Impact of changes in foreign exchange rate	(346,191)
Conversion of convertible bonds	(2,010,773)
Convertible bonds derivative instruments on the issue date	(1,422,363)
Amortization of discounts on convertible bonds	252,686
At December 31	$ 5,374,293

For the year ended December 31, 2019, changes in liabilities from financing activities pertain to changes in cash flow from financing activities. Please refer to the parent company only statements of cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Other related party
Cheng Mei Materials Technology Corporation and its subsidiaries (Note 1)	Other related party
FI Medical Device Manufacturing Co., Ltd.	Associate
GIO Optoelectronics Corp. (Note 2)	The Company's subsidiary
Leadtek Global Group Limited	The Company's subsidiary
Lakers Trading Limited	The Company's subsidiary
Innolux Hong Kong Limited	The Company's subsidiary
InnoCare Optoelectronics Corporation	The Company's subsidiary
Innolux USA Inc.	The Company's subsidiary
Innolux Optoelectronics India Private Limited	The Company's subsidiary
Foshan Innolux Optoelectronics Ltd.	The Company's subsidiary
CarUX Technology Inc.	The Company's subsidiary
Ningbo Innolux Optoelectronics Ltd.	The Company's subsidiary
Warriors Technology Investments Ltd	The Company's subsidiary
Innolux Japan Co., Ltd.	The Company's subsidiary

(Note 1) In May 2020, the Company no longer serves as a director, so it is listed as a non-related party.

(Note 2) In the third quarter of 2019, the ownership change from 24% to 63%, which change associate into company's subsidiary.

For the more information about the Company and other subsidiaries, please refer to Note 4(3) of the consolidated financial report for the year ended December 31, 2020.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
Subsidiaries	$ 29,594,397	$ 28,465,661
Other related parties	8,099,268	9,318,267
Associates	432	15,206
	$ 37,694,097	$ 37,799,134

The collection period was mainly 30~90 days upon shipment or on a monthly-closing basis to related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchases of goods

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Other related parties	$ 1,369,547	$ 2,719,580
Associates	197,889	1,521,975
Subsidiaries	121,196	102,061
	$ 1,688,632	$ 4,343,616

The payment term was 30~120 days to related parties after transaction date, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms from related parties above were not materially different from those of purchases from third parties.

C. Consigned processing

(a) Consigned processing

	Years ended December 31,	
	2020	2019
Processing expense:		
Subsidiaries		
- Lakers Trading Ltimited	$ 26,356,710	$ 49,727,197
- Others	66,830,110	39,397,047
Other related parties	716	-
Associates	-	1
	$ 93,187,536	$ 89,124,245

(b) Balance of consigned processing at the end of year (shown as “other payables”)

	December 31, 2020	December 31, 2019
Payables to related parties:		
Subsidiaries	$ 971,788	$ 321,461
Other related parties	543	-
	$ 972,331	$ 321,461

The Company subcontracted the processing of products of associates in Mainland China. The processing fees were mainly charged based on cost plus method.

D. Service revenue (Shown as “other revenue”)

	Years ended December 31,	
	2020	2019
Service revenue:		
Subsidiaries		
- Foshan Innolux Optoelectronics Ltd.	$ 61,933	$ 104,577
Associates	40,082	61,082
	$ 102,015	$ 165,659

E. Service expense (Shown as "manufacturing costs and operating expenses")

	Years ended December 31,	
	2020	2019
Service expense:		
Subsidiaries	$ 1,180,430	$ 1,359,810

F. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Subsidiaries		
- Innolux USA Inc.	$ 4,358,767	$ 4,928,163
- Others	2,693,867	1,208,439
Other related parties	2,177,282	2,450,269
	9,229,916	8,586,871
Less: Transfer to other receivables	-	(312,337)
	$ 9,229,916	$ 8,274,534

(a) The receivables from related parties arise mainly from sales transactions. The receivables are due 30~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

(b) The abovementioned receivables from related parties that exceed normal granting periods were transferred under 'Other receivables – related parties'.

G. Other receivables from related parties

	December 31, 2020	December 31, 2019
Other receivables:		
Accounts receivables transferred to other receivables		
Subsidiaries		
- Innolux Optoelectronics India Private Limited	$ -	$ 312,337
Other receivables		
Subsidiaries		
- CarUX Technology Inc.	488,643	-
- InnoCare Optoelectronics Corporation	52,679	199,470
- Others	136,588	127,614
Associates	2,644	2,627
Other related parties	900	18,107
	$ 681,454	$ 660,155

H. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
Subsidiaries		
- Foshan Innolux Optoelectronics Ltd.	$ 20,055,436	$ -
- Ningbo Innolux Optoelectronics Ltd.	14,160,794	-
- Innolux Hong Kong Limited	9,038,281	9,253,496
- Lakers Trading Limited	-	28,993,554
- Leadtek Global Group Limited	-	21,378,911
- Others	5,867,952	40,011
Other related parties	495,445	1,371,232
Associates	-	113,988
	$ 49,617,908	$ 61,151,192

The payables to related parties arise mainly from purchase and consigned processing transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

I. Advance receipts

	December 31, 2020	December 31, 2019
Advance receipts:		
Subsidiaries	$ 1,668,557	$ 9,254
Other related parties	5,949	1,196
	$ 1,674,506	$ 10,450

J. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2020	2019
Other related parties	$ 59,339	$ 37,804
Subsidiaries	55,521	84,012
Associates	-	3,031
	$ 114,860	$ 124,847

(b) Period-end balances arising from purchases of property (shown as “other payables”):

	December 31, 2020	December 31, 2019
Subsidiaries	$ 78	$ 15,416
Other related parties	50,366	1,122,193
	$ 50,444	$ 1,137,609

Sale of property

(a) Proceeds from sale of property and gain on disposal:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Subsidiaries	$ 1,147,181	$ 1,750	$ 258,682	$ 107
Other related parties	-	-	16,479	(1,739)
Associates	-	-	594	594
	$ 1,147,181	$ 1,750	$ 275,755	($ 1,038)

(b) Period-end balances arising from sale of property (shown as 'other receivables-related parties'):

	December 31, 2020	December 31, 2019
Subsidiaries		
- CarUX Technology Inc.	$ 455,717	$ -
- InnoCare Optoelectronics Corporation	-	186,639
- Others	1,819	39,448
Other related parties	-	16,161
	$ 457,536	$ 242,248

Disposal of other assets

In the first quarter of 2020, the Company disposed its subsidiary, CarUX Technology Inc., for proceeds of $197,629 to adjust the investment structure. The transaction pertained to reorganization so that no gain or loss is recognized. The difference between consideration and carrying amount is recognized as capital surplus. Refer to Note 4(3) of the consolidated financial statements for relevant information.

K. Loans to/from related parties

Loans from related parties

(a) Outstanding balance (shown as 'other payables'):

	December 31, 2020
Subsidiaries	
- Warriors Technology Investments Ltd	$ 3,360,640
- Innolux Japan Co., Ltd.	2,611,670
	$ 5,972,310

The loans from subsidiaries are repayable with one year. Refer to table 1 for information on loans to/from related parties.

(b) Interest expense

	Year ended December 31, 2020
Subsidiaries	$ 3,223

The Company had no aforementioned loans from related parties during the year ended December 31, 2019.

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	$ 53,576	$ 62,575
Shared-based payments	22,096	-
Post-employment benefits	747	636
	$ 76,419	$ 63,211

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Property, plant and equipment	$ 92,981,667	$ 95,714,220	Long-term loans
Intangible assets	-	27	Long-term loans
Other non-current assets			
- Refundable deposits	784,601	359,383	Litigation guarantee
	$ 93,766,268	$ 96,073,630	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies－Significant Litigations

A. In March 2019, the Company received a sanction to the Company and the related employees and managers from Brazil Administrative Council for Economic Defense - CADE for the 2006 TFT-LCD pricing collaborations involving Chi Mei Optoelectronics Corporation. The fine was paid off on May 8, 2019 and it was confirmed by the representative lawyer of CADE that the Company obeyed the sanction.

B. The Company's subsidiary in U.S. received a civil complaint from the government of Puerto Rico in September 2018, claiming that the company, together with other defendants of Taiwan, Japan and South Korea TFT -LCD companies, had unjustified enrichment from the TFT-LCD pricing collaborations in 2006 and requested monetary compensation. The U.S. subsidiary of the company has appointed a lawyer to handle the lawsuit.

C. Eidos Displays, LLC and Eidos III, LLC ("Eidos") filed a lawsuit against the Company and American subsidiary with the United States District Court for the Eastern District of Texas on April 25, 2011, alleging infringement of its patent. In December 2013, the magistrate judge granted summary judgment that the Eidos patent is invalid. In January 2014, the presiding judge confirmed the summary judgment.

In February 2014, Eidos appealed to the United States Court of Appeals for the Federal Circuit (CAFC). In March 2015, the CAFC reversed the district court's judgment and remanded the case

back to the district court for further proceedings. In June 2017, the jury determined that some products of the Company and American subsidiary directly infringed the patent and awarded damages for Eidos. On March 5, 2018, the district court entered judgment. In January 2020, the Company reached an agreement on the main settlement terms with Eidos during the third mediation. In April 2020, the court granted the judgment that the case shall be closed by mutually performing the settlement terms and the lawsuits have no effect on the Company's financial position and operations.

D. On July 10, 2018, Vista Peak Ventures, LLC (VPV) filed four complaints against the Company in the United States District Court for the Eastern District of Texas, alleging the infringement of several of its patents. The Company reached settlements with VPV for the aforementioned lawsuits and acquired relevant patent portfolio licensing in the first quarter of 2019. VPV also dismissed the action and the lawsuits have no effect on the Company's financial position and operations.

E. On March 23, 2018, Chongqing HKC Optoelectronics Technology Co., Ltd. (HFC) filed five complaints against the subsidiaries of the Company, Ningbo Innolux Optoelectronics Ltd., Foshan Innolux Optoelectronics Ltd. as well as their customers and terminal distributors of TV products with the Fifth Intermediate People's Court in Chongqing, alleging the infringement of its patents. Ningbo Innolux Optoelectronics Ltd. submitted a request of patent invalidity to the National Intellectual Property Administration, PRC upon the patents asserted in the complaints. As of May 21, 2019, all five patents asserted by HKC were declared invalid by the National Intellectual Property Administration, PRC. The five lawsuits that were previously disclosed were allegedly withdrawn by the Chongqing court on June 18, 2019. Thus, the lawsuits have no effect on the Company's financial position and results of operations.

F. On September 1, 2020, Granville Technology Group Limited, VMT Limited and OT Computers Limited (all under liquidation) jointly filed a civil complaint against the Company with the Senior Courts of England and Wales, claiming that the Company, together with other defendants of Taiwan and South Korea TFT -LCD companies, shall be liable for damages incurred from the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

G. On December 18, 2020, the claimants, SAMSUNG ELECTRONICS CO. LIMITED, SAMSUNG ELECTRONICS TAIWAN CO. LIMITED, SAMSUNG ELECTRONICS (UK) LIMITED, SAMSUNG SEMICONDUCTOR EUROPE LIMITED and SAMSUNG DISPLAY CO. LMITED, jointly filed a civil complaint against the Company with the Business and Property Courts of England and Wales, claiming that the Company shall have the responsibility to pay equitable and fair share of compensation in terms of the settlement agreement that the first to fourth claimants entered into with the particular UK authorities for the TFT-LCD pricing collaborations in 2006. The Company has appointed a lawyer to handle the lawsuit.

H. The Company had assessed and recognized related losses and liabilities as shown in 'provisions-current' for the aforementioned investigation relating to anti-trust laws and patent litigation.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 12,236,324	$ 16,748,092

B. Outstanding letters of credit

The outstanding letters of credit for the purchase of property, plant and equipment are as follows:

	December 31, 2020	December 31, 2019
Outstanding letters of credit	$ 63,015	$ 266,384

C. The Company entered into a conditional 'Share Issuance and Asset Purchase Agreement' with Huadong Electronic. Huadong Electronic plans to issue shares to the shareholders of TPV Technology Limited, including the Company, in order to obtain 49% equity interest of TPV Technology Limited. However, the transaction will take effect when all preconditions are met.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

(2) Financial instruments

A. Financial instruments by category

For information of the Company's financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties)) and financial liability (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, lease liability, corporate bonds payable and long-term borrowings (including current portion)), please refer to Note 6 and parent company only balance sheets.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2)).

(b) Risk management is carried out by the treasury department under policies approved by the board of directors. The Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as

foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via the Company's treasury departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Company use forward foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). Based on the simulations performed, the impact on pre-tax profit of a 1% exchange rate fluctuation would be an decrease of $46,132 and $99,086 for the years ended December 31, 2020 and 2019, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020			December 31, 2019		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
Financial asstes						
Monetary items						
USD	$ 2,685,590	28.48	$ 76,485,603	$ 2,338,309	29.98	$ 70,102,504
RMB	314,765	4.36	1,372,375	20,232	4.30	86,998
JPY	1,240,453	0.28	347,327	195,929	0.28	54,860
EUR	3,414	35.02	119,558	3,403	33.59	114,307
HKD	13,321	3.67	48,888	658,804	3.85	2,536,395
Non-monetary items						
USD	$ 2,852,662	28.48	$ 81,243,814	$ 2,621,279	29.98	$ 78,585,944
JPY	7,560,763	0.28	2,117,014	7,456,590	0.28	2,087,845
HKD	351,054	3.67	1,288,368	549,225	3.85	2,114,516
Financial liabilities						
Monetary items						
USD	$ 2,569,866	28.48	$ 73,189,784	$ 2,419,642	29.98	$ 72,540,867
JPY	32,788,133	0.28	9,180,677	35,486,130	0.28	9,936,116
EUR	8,547	35.02	299,316	5,503	33.59	184,846
HKD	73,107	3.67	268,303	122	3.85	470

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

iv. Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to ($980,511) and $327,080, respectively.

Price risk

i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the parent company only balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done by the Company in respect of the targets and stages.

ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $470,167 and $530,282, respectively; other comprehensive gains and losses would have increased/decreased by $191,444 and $193,086, respectively.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD.

ii. The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. If the borrowing interest rate of NTD had increased/decreased by 0.25% with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by $99,375 and $89,325, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows. As at December 31, 2020 and 2019, without

taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income, financial assets at amortized cost and accounts receivable held by the Company was its carrying amount.

ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the managements. The utilization of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Company classifies customer's accounts receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
(ii) Default or delinquency in interest or principal repayments;
(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Company adjusted forward looking information based on historical and timely information to assess the default possibility of accounts receivable.
According to abovementioned consideration and information, the Company does not expect any significant default possibility of accounts receivable.

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020
	Accounts receivable
At January 1 (December 31)	$ 209,373
	2019
	Accounts receivable
At January 1 (December 31)	$ 209,373

ix. The Company's financial assets at amortized cost have low credit risk, the Company did not recognize significant loss allowance in accordance with 12 months expected credit losses.

(c) Liquidity risk

i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company's treasury. Company treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Company chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.

iii. The information below analyzes the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Bonds payable	$ -	$ 6,231,424	$ -	$ -	$ 6,231,424
Lease liability	227,273	1,363,639	1,136,365	2,870,936	5,598,213
Long-term borrowings (including current portion)	19,250,000	8,200,000	12,300,000	-	39,750,000

December 31, 2019	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Lease liability	$ 524,360	$ 1,048,720	$ 1,048,720	$ 3,386,241	$ 6,008,041
Long-term borrowings (including current portion)	15,980,000	19,350,000	400,000	-	35,730,000

Note: The Company applied a 1-year grace period for land rental payment starting from September 2020. The payment is repayable in 36 equal monthly installments for 3 years.

Except for the above, the non-derivative and derivative financial liabilities of the Company are all due within one year.

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and on-the-run bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost, accounts payable, other payables, lease liability, corporate bonds payable and long-term borrowings (including current portion) are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 823,286	$ -	$ 1,527,547	$ 2,350,833
Forward exchange contracts	-	706,299	-	706,299
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	957,222	957,222
	$ 823,286	$ 706,299	$ 2,484,769	$ 4,014,354

December 31, 2020	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 5,453	$ -	$ 5,453
Convertible bonds derivative instruments	-	-	3,208,560	3,208,560
	$ -	$ 5,453	$ 3,208,560	$ 3,214,013

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 420,524	$ -	$ 2,230,884	$ 2,651,408
Forward exchange contracts	-	7,660	-	7,660
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	965,431	965,431
	$ 420,524	$ 7,660	$ 3,196,315	$ 3,624,499
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 345,003	$ -	$ 345,003

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks	Corporate bond
Market quoted price	Closing price	Last transaction price	Weighted average quoted price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate. Convertible bonds derivative instruments are measured by using appropriate option pricing models (binary tree model for convertible bond pricing).

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in Level 3 instruments for the years ended December 31, 2020 and 2019:

	2020	2019
Financial assets at fair value through profit or loss / Financial asset at fair value through other comprehensive income	Equity securities	
At January 1	$ 3,196,315	$ 1,205,669
Gains and losses recognized in profit or loss	1,794,355	1,414,152
Gains and losses recognized in other comprehensive income	(8,209)	(145,957)
Acquired in the year	34,972	49,904
Disposed in the year	(2,532,664)	-
Transfers to Level 3	-	708,132
Proceeds from capital reduction	-	(35,585)
At December 31	$ 2,484,769	$ 3,196,315

	2020
Financial liabilities at fair value through profit or loss	Derivative instruments
At January 1	$ -
Gains and losses recognized in profit or loss	1,786,197
Issued in the year	1,422,363
At December 31	$ 3,208,560

G. Because TPV Technology Limited was delisted since November 2019 due to its privatization and there is insufficient observable market information, therefore, the Company transferred the fair value from Level 1 to Level 3 at the end of the month when the event occurred.

H. Investment management segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

Investment management segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (Weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 1,003,886	Market comparable companies	Price to sales ratio multiple, price to book ratio multiple	0.62~3.08 (0.29)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30% (12%)	The higher the discount for lack of marketability, the lower the fair value
	1,289,423	Using the last transaction price in an inactive market	Discount for lack of marketability	23% (12%)	The higher the discount for lack of marketability, the lower the fair value
	191,460	Net asset value	Discount for lack of marketability	5% (0%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (Weighted average)	Relationship of inputs to fair value
Derivative instrument liabilities:					
Convertible bond	3,208,560	Binary tree model for convertible bond pricing	Volatility rate	48.6%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (Weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 3,196,315	Market comparable companies	price to sales ratio multiple, price to book ratio multiple	0.61~3.6 (0.91)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%~50% (30%)	The higher the discount for lack of marketability, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	$ 2,484,769	± 1%	$ 15,275	($ 15,275)	$ 9,572	($ 9,572)
Financial liabilities						
Derivative instruments	3,208,560	± 1%	32,403	(31,780)	-	-

			December 31, 2019			
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	$ 3,196,315	± 1%	$ 22,309	($ 22,309)	$ 9,654	($ 9,654)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to Table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 1, 4, 5 and 6.

14. SEGMENT INFORMATION

None.

Innolux Corporation

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance as at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Related parties	$ 4,365,984	$ 4,365,984	$ 4,365,984	2.00%	Short-term financing	$ -	Operating support	$ -	-	$ -	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Other receivables	Related parties	2,182,992	2,182,992	1,528,094	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Related parties	2,401,291	2,401,291	1,702,734	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Shanghai Innolux Optoelectronics Ltd.	Other receivables	Related parties	1,790,053	1,790,053	1,135,156	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
1	Innocom Technology (Shenzhen) Co., Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	4,365,984	3,711,087	2,619,591	2.00%	Short-term financing	-	Operating support	-	-	-	23,437,016	23,437,016	A
2	Nanjing Innolux Technology Ltd.	Nanjing Innolux Optoelectronics Ltd.	Other receivables	Related parties	218,299	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	1,220,292	1,220,292	A
3	Innolux Japan Co., Ltd.	Innolux Corporation	Other receivables	Related parties	2,611,670	2,611,670	2,611,670	1.00%	Short-term financing	-	Operating support	-	-	-	7,674,648	7,674,648	A
3	Innolux Japan Co., Ltd.	Lakers Trading Limited	Other receivables	Related parties	2,611,670	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	7,674,648	7,674,648	A
4	Warriors Technology Investments Ltd	Innolux Corporation	Other receivables	Related parties	3,360,640	3,360,640	3,360,640	0.00%	Short-term financing	-	Operating support	-	-	-	12,505,452	12,505,452	A
4	Warriors Technology Investments Ltd	Lakers Trading Limited	Other receivables	Related parties	3,067,312	-	-	0.00%	Short-term financing	-	Operating support	-	-	-	12,505,452	12,505,452	A

Note A:

1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the Group's net equity, based on the most recent audited financial statements of the creditor.

2.The financial limit on loans granted shall not exceed 40% of the creditor's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the creditor's net equity.

3.The policy for loans granted to direct or indirect wholly-owned ultimate parent company or overseas subsidiaries is as follows: for short-term capital needs, financial limit is not restricted to the abovementioned two rules, however, financial limit on total loans granted and limit on loans granted to a single party for the overseas subsidiaries should not exceed 200% of the creditor's net equity.

Innolux Corporation

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	Common stock							
Innolux Corporation	AvanStrate Inc.	None	Financial assets at fair value through profit or loss	900,000	$ 6,075	1	$ 6,075	
Innolux Corporation	TPV Technology Limited	None	Financial assets at fair value through profit or loss	60,200,000	1,289,423	3	1,289,423	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	Other related party	Financial assets at fair value through profit or loss	14,234,041	191,460	19	191,460	
Innolux Corporation	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	57,211,305	632,185	9	632,185	
Innolux Corporation	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through profit or loss	1,669,000	191,101	-	191,101	
Innolux Corporation	Allied Material Technology Corp.	None	Financial assets at fair value through profit or loss	1,209	-	-	-	
Innolux Corporation	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	477,142	40,589	12	40,589	
Innolux Corporation	VIZIO. Inc.	None	Financial assets at fair value through other comprehensive income	927,452	957,222	4	957,222	
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Financial assets at fair value through profit or loss	1,439,180	-	3	-	
Yuan Chi Investment Co., Ltd.	Cheng Mei Materials Technology Corporation	None	Financial assets at fair value through profit or loss	315,000	3,480	-	3,480	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial assets at fair value through profit or loss	6,964,222	211,016	5	211,016	
InnoJoy Investment Corporation	eChem solutions Corp.	None	Financial assets at fair value through other comprehensive income	2,887,500	41,400	4	41,400	
InnoJoy Investment Corporation	EPILEDS Co., Ltd.	None	Financial assets at fair value through other comprehensive income	7,347,144	160,902	7	160,902	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Financial assets at fair value through other comprehensive income	9,049,000	1,113,027	5	1,113,027	
Ningbo Innolux Optoelectronics Ltd.	上海辰岱投資中心(有限合夥)	None	Financial assets at fair value through profit or loss	-	685,090	-	685,090	
Ningbo Innolux Optoelectronics Ltd.	Shenzhen Tiandeyu Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss	30,599,775	158,443	8	158,443	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				
				Number of shares	Book value	Ownership (%)	Fair value	Footnote
Warriors Technology Investments Ltd	OED Holding Ltd.	None	Financial assets at fair value through profit or loss	16,000,000	$ 12,744	6	$ 12,744	
Warriors Technology Investments Ltd	Obsidian Sensors, Inc.	None	Financial assets at fair value through profit or loss	414,136	35,229	11	35,229	
Warriors Technology Investments Ltd	Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	1,027,371	14,288	-	14,288	
Warriors Technology Investments Ltd	General Interface Solution (GIS) Holding Limited	None	Financial assets at fair value through other comprehensive income	22,525,000	2,579,113	7	2,579,113	
Warriors Technology Investments Ltd	CJK Associates Co., Ltd.	None	Financial assets at fair value through other comprehensive income	4,000	4,872	14	4,872	
Warriors Technology Investments Ltd	Perinnova Limited	Other related party	Financial assets at fair value through other comprehensive income	1,900	520	19	520	
Warriors Technology Investments Ltd	KA Imaging Inc.	Other related party	Financial assets at fair value through other comprehensive income	1,819,240	16,337	11	16,337	
Nets trading Ltd.	PilotTech Global Fund	None	Financial assets at fair value through profit or loss	90	23,347	-	23,347	

Innolux Corporation

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020 (Note 4)		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020 (Note 5)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Innolux Hong Kong Holding Limited	Innolux Europe B.V.	Investments accounted for using equity method	-	-	375,810	$ 377,076	-	$ -	375,810	$ 464,341	$ 377,076	(Note 6)	-	$ -
Innolux Hong Kong Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	162,897,802	1,598,956	-	-	162,897,802	1,818,180	1,598,956	(Note 6)	-	-
CarUX Holding Limited	Innolux Europe B.V.	Investments accounted for using equity method	-	-	-	-	375,810	464,341	375,810	464,341	464,341	(Note 6)	-	-
CarUX Holding Limited	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	-	-	162,897,802	1,818,180	162,897,802	1,818,180	1,818,180	(Note 6)	-	-
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Investments accounted for using equity method	-	-	-	-	375,810	464,341	-	-	-	-	375,810	436,612
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Investments accounted for using equity method	-	-	-	-	162,897,802	1,818,180	-	-	-	-	162,897,802	1,872,445
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Investments accounted for using equity method	-	-	9,500,000	285,546	39,875,280	1,195,262	-	-	-	-	125,231,749	3,895,283
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Investments accounted for using equity method	-	-	9,400,000	282,539	39,875,280	1,195,262	-	-	-	-	125,131,749	3,892,513
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Investments accounted for using equity method	-	-	-	-	140,000,000	1,400,000	-	-	-	-	140,000,000	1,436,674

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020 (Note 4)		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020 (Note 5)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Innolux Corporation	TPV Technology Limited	Financial assets at fair value through profit or loss	-	-	150,500,000	$ 2,113,966	-	$ -	(90,300,000)	$ 2,532,664	$ 2,532,664	(Note 7)	60,200,000	$ 1,289,423

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: The balance at January 1, 2020 includes the investment income (loss) and cumulative translation adjustments.

Note 5: The balance at December 31, 2020 includes the investment income (loss), cumulative translation adjustments, gains (losses) on valuation and shares transferred.

Note 6: There was no income or loss as it was accounted as reorganization.

Note 7: There was no gain or loss on disposal as gains or losses on valuation were recognised under IFRS.

Innolux Corporation

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	Sales	$ 18,559,893	7	60-90 days	Similar with general sales	No material difference	$ 4,358,767	8	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Sales	5,491,141	2	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	Hongfujin Precision Electronics (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,876,859	1	60 days	Similar with general sales	No material difference	598,634	1	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	2,320,933	1	90 days	Similar with general sales	No material difference	1,193,923	2	
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	Sales	2,223,300	1	60 days	Similar with general sales	No material difference	1,619,004	3	
Innolux Corporation	Lakers Trading Limited	An indirect wholly-owned subsidiary	Sales	1,356,544	1	60 days	Similar with general sales	No material difference	-	-	
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	Sales	952,627	-	60-90 days	Similar with general sales	No material difference	918,101	2	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	802,468	-	60 days	Similar with general sales	No material difference	58,592	-	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	722,635	-	45 days	Similar with general sales	No material difference	50,130	-	
Innolux Corporation	Shenzhen Fugui Precision Industrial Co., LTD	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	324,861	-	60 days	Similar with general sales	No material difference	41,345	-	
Innolux Corporation	FIH (Hong Kong) Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	319,345	-	60 days	Similar with general sales	No material difference	99,057	-	
Innolux Corporation	COMPETITION TEAM IRELAND LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	301,600	-	45 days	Similar with general sales	No material difference	96,519	-	
Innolux Corporation	Hongfujin Precision Industry (Wuhan) Co.,Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	101,503	-	90 days	Similar with general sales	No material difference	-	-	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innolux Corporation	Cheng Mei Materials Technology Corporation	Other related party	Purchases	$ 912,669	-	90 days after acceptance	Single purchases target, no basis for comparison	No material difference	$ -	-	A
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	441,318	-	90 days	Single purchases target, no basis for comparison	No material difference	(483,523)	1	
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Other related party	Purchases	197,889	-	30 days after acceptance	Single purchases target, no basis for comparison	No material difference	-	-	
Innolux Corporation	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing expense	26,356,710	11	60 days	Cost plus	No material difference	-	-	
Innolux Corporation	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing expense	21,442,637	9	60 days	Cost plus	No material difference	(9,038,281)	12	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	14,691,092	6	60 days	Cost plus	No material difference	(20,055,436)	28	
Innolux Corporation	Leadtek Global Group Limited	A subsidiary of the Company	Processing expense	10,510,381	4	60 days	Cost plus	No material difference	-	-	
Innolux Corporation	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Processing expense	9,749,556	4	60 days	Cost plus	No material difference	(5,846,718)	8	
Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Processing expense	9,042,628	4	60 days	Cost plus	No material difference	(14,160,794)	19	
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	16,194,375	35	60 days	Similar with general transactions	No material difference	-	-	
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	10,563,942	31	60 days	Similar with general transactions	No material difference	-	-	
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	15,354,830	100	60 days	Similar with general transactions	No material difference	7,751,062	100	
Ningbo Innolux Display Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	10,446,549	36	60 days	Similar with general transactions	No material difference	-	-	
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	Processing revenue	5,631,825	81	60 days	Similar with general transactions	No material difference	1,443,648	75	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	An indirect wholly-owned subsidiary	Processing revenue	$ 225,607	100	60 days	Similar with general transactions	No material difference	$ 530,594	100	
CarUX Technology Inc.	Innolux Corporation	Ultimate parent company	Processing revenue	1,388,848	100	60 days	Similar with general transactions	No material difference	442,099	100	
Innolux Europe B.V.	Innolux Corporation	Ultimate parent company	Service revenue	837,822	90	60 days	Similar with general transactions	No material difference	156,065	84	
Innolux Japan Co., Ltd.	Innolux Corporation	Ultimate parent company	Service revenue	315,775	71	60 days	Similar with general transactions	No material difference	46,042	86	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	Sales	6,089,981	13	60 days	Similar with general transactions	No material difference	1,728,246	10	
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	Sales	4,338,257	10	60 days	Similar with general transactions	No material difference	1,867,924	12	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,605,777	70	60 days	Similar with general transactions	No material difference	352,180	50	
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	1,114,450	3	60 days	Similar with general transactions	No material difference	252,859	3	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	Sales	704,961	31	60 days	Similar with general transactions	No material difference	214,161	30	
InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	An indirect wholly-owned subsidiary	Sales	307,105	13	60 days	Similar with general transactions	No material difference	49,646	7	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,771,118	4	90 days after goods are shipped	Similar with general transactions	No material difference	(544,023)	6	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,583,931	4	90 days after goods are shipped	Similar with general transactions	No material difference	(459,642)	6	
InnoCare Optoelectronics Corporation	FI Medical Device Manufacturing Co., Ltd.	Other related party	Purchases	849,414	43	30 days after acceptance	Similar with general transactions	No material difference	(114,512)	10	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Ningbo Innolux Optoelectronics Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	$ 487,392	1	90 days after goods are shipped	Similar with general transactions	No material difference	$ -	-	A
Foshan Innolux Optoelectronics Ltd.	Cheng Mei Materials Technology Corporation	Other related party	Purchases	321,661	1	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A
Nanjing Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	178,961	1	90 days after goods are shipped	Similar with general transactions	No material difference	(18,590)	-	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	164,912	-	90 days after goods are shipped	Similar with general transactions	No material difference	(49,354)	-	
Foshan Innolux Optoelectronics Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	129,233	-	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A
Ningbo Innolux Display Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Other related party	Purchases	113,642	-	90 days after goods are shipped	Similar with general transactions	No material difference	-	-	A

(Note A) It was recognized as a non-related party in May 2020.

Innolux Corporation

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Innolux Corporation	Innolux USA Inc.	An indirect wholly-owned subsidiary	$ 4,358,767	4.00	$ -	-	$ 2,195,261	$ -
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	1,619,004	2.75	402,296	Subsequent collection	-	-
Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	An indirect wholly-owned subsidiary	134,483 (Shown as other receivables)	-	-	-	-	-
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	1,193,923	1.91	23,720	Subsequent collection	214,984	-
Innolux Corporation	InnoCare Optoelectronics Corporation	A subsidiary of the Company	918,101	1.22	770,445	Subsequent collection	35,670	-
Innolux Corporation	Hongfujin Precision Electronics (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	598,634	8.16	-	-	376,084	-
Innolux Corporation	CarUX Technology Inc.	An indirect wholly-owned subsidiary	488,643 (Shown as other receivables)	-	463,785	Subsequent collection	197,865	-
Foshan Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	20,055,436	1.58	14,545,879	Subsequent collection	6,043,472	-
Ningbo Innolux Optoelectronics Ltd.	Innolux Corporation	Ultimate parent company	14,160,794	1.46	8,772,176	Subsequent collection	3,605,398	-
Innolux Hong Kong Limited	Innolux Corporation	Ultimate parent company	9,038,281	2.34	-	-	-	-
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	7,751,062	1.94	3,646,291	Subsequent collection	2,931,358	-
Ningbo Innolux Display Ltd.	Innolux Corporation	Ultimate parent company	5,846,718	3.50	2,379,309	Subsequent collection	3,887,542	-
Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	An indirect wholly-owned subsidiary	1,867,924	2.75	-	-	582,275	-
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	An indirect wholly-owned subsidiary	1,728,246	4.59	345,534	Subsequent collection	1,190,114	-
Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	An indirect wholly-owned subsidiary	1,443,648	4.32	-	-	1,049,037	-
Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Limited	An indirect wholly-owned subsidiary	530,594	0.53	-	-	530,594	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note A)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Lakers Trading Limited	Innolux Corporation	Ultimate parent company	$ 524,284 (Shown as other receivables)	-	$ 472,813	Subsequent collection	$ 524,284	$ -
CarUX Technology Inc.	Innolux Corporation	Ultimate parent company	442,099	6.28	-	-	142,445	-
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	An indirect wholly-owned subsidiary	352,180	4.57	143,057	Subsequent collection	114,127	-
Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	252,859	4.39	-	-	146,956	-
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	An indirect wholly-owned subsidiary	214,161	5.26	112,613	Subsequent collection	74,473	-
Innolux Europe B.V.	Innolux Corporation	Ultimate parent company	156,065	6.90	1,189	-	93,532	-

Note A：For the information on receivables of loans to related parties reaching NT$100 million or 20% of paid-in capital or more, please refer to Table 1.

Innolux Corporation

Significant inter-company transactions during the reporting period

Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
0	Innolux Corporation	Lakers Trading Limited	1	Sales	$ 1,356,544	-	1
0	Innolux Corporation	Lakers Trading Limited	1	Processing expense	26,356,710	-	10
0	Innolux Corporation	Innolux Hong Kong Limited	1	Sales	5,491,141	-	2
0	Innolux Corporation	Innolux Hong Kong Limited	1	Processing expense	21,442,637	-	8
0	Innolux Corporation	Innolux Hong Kong Limited	1	Accrued expenses	(9,038,281)	-	2
0	Innolux Corporation	Leadtek Global Group Limited	1	Processing expense	10,510,381	-	4
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Processing expense	9,042,628	-	3
0	Innolux Corporation	Ningbo Innolux Optoelectronics Ltd.	1	Accrued expenses	(14,160,794)	-	4
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	802,468	-	-
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Processing expense	14,691,092	-	5
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Accrued expenses	(20,055,436)	-	5
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Processing expense	9,749,556	-	4
0	Innolux Corporation	Ningbo Innolux Display Ltd.	1	Accrued expenses	(5,846,718)	-	2
0	Innolux Corporation	Innolux USA Inc.	1	Sales	18,559,893	-	7
0	Innolux Corporation	Innolux USA Inc.	1	Accounts receivable	4,358,767	-	1
0	Innolux Corporation	CarUX Technology Inc.	1	Other receivables	488,643	-	-
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Sales	952,627	-	-
0	Innolux Corporation	InnoCare Optoelectronics Corporation	1	Accounts receivable	918,101	-	-
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Sales	2,223,300	-	1
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Accounts receivable	1,619,004	-	-
0	Innolux Corporation	CARUX TECHNOLOGY PTE. LTD.	1	Other receivables	134,483	-	-
1	Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	3	Processing revenue	225,607	-	-
1	Innocom Technology (Shenzhen) Co., LTD	Lakers Trading Limited	3	Accounts receivable	530,594	-	-

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction (Note D and E)			
				General ledger account	Amount	Transaction terms (Note C)	Percentage of consolidated total operating revenues or total assets
2	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	$ 15,354,830	-	6
2	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	7,751,062	-	2
3	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Sales	4,338,257	-	2
3	Innolux Hong Kong Limited	Nanjing Innolux Technology Ltd.	3	Accounts receivable	1,867,924	-	-
4	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Processing revenue	5,631,825	-	2
4	Shanghai Innolux Optoelectronics Ltd.	Innolux Hong Kong Limited	3	Accounts receivable	1,443,648	-	-
5	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Processing revenue	10,563,942	-	4
5	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Sales	6,089,981	-	2
5	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	3	Accounts receivable	1,728,246	-	-
6	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Limited	3	Processing revenue	16,194,375	-	6
7	Ningbo Innolux Display Ltd.	Lakers Trading Limited	3	Processing revenue	10,446,549	-	4
7	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Sales	1,114,450	-	-
7	Ningbo Innolux Display Ltd.	Ningbo Innolux Optoelectronics Ltd.	3	Accounts receivable	252,859	-	-
8	Innolux Japan Co., Ltd.	Innolux Corporation	3	Service revenue	315,775	-	-
9	CarUX Technology Inc.	Innolux Corporation	3	Processing revenue	1,388,848	-	1
9	CarUX Technology Inc.	Innolux Corporation	3	Accounts receivable	442,099	-	-
10	InnoCare Optoelectronics Corporation	Ningbo Innolux Electronics Ltd.	3	Sales	307,105	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Sales	1,605,777	-	1
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	3	Accounts receivable	352,180	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Sales	704,961	-	-
10	InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	3	Accounts receivable	214,161	-	-
11	Innolux Europe B.V.	Innolux Corporation	3	Service revenue	837,822	-	-
11	Innolux Europe B.V.	Innolux Corporation	3	Accounts receivable	156,065	-	-
12	Lakers Trading Limited	Innolux Corporation	3	Other receivables	524,284	-	-

Note A: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.
(1) Number 0 represents the parent company.
(2) The subsidiaries are numbered in order from number 1.

Note B: 1 refers to the parent company to the subsidiary.
3 refers to the subsidiary to the subsidiary.

Note C: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was mainly 30~90 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note D: Amount disclosure standard: purchases, sales and receivables from related parties in excess of $100 million or 20% of capital.

Note E: For the information on transactions between the Company and the consolidated subsidiaries relating to nature of loan, please refer to Table 1.

Innolux Corporation

Information on investees

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Corporation	Innolux Holding Limited	Samoa	Investment holdings	$ 6,192,509	$ 6,192,509	180,568,185	100	$ 18,213,825	$ 222,572	$ 222,572	
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	62,197	62,197	1,656,410	100	93,365	3,041	3,041	
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	33,438,542	33,438,542	709,450,000	100	46,506,951	971,588	971,588	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,674,115	3,674,115	146,847,000	100	6,051,929	88,589	88,589	
Innolux Corporation	Innolux Hong Kong Holding Limited	Hong Kong	Investment holdings	3,231,780	3,231,780	1,158,844,000	100	6,857,505	855,636	855,636	
Innolux Corporation	Innolux Singapore Holding Pte. Ltd.	Singapore	Investment holdings	754,943	754,943	25,400,000	100	248,673	(205,278)	(205,278)	
Innolux Corporation	Leadtek Global Group Limited	BVI	Distribution company	-	-	50,000,000	100	1,424,059	61	61	
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	-	100	879,672	3,744	3,744	
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,674,054	1,674,054	167,405,392	100	2,263,222	99,424	99,424	
Innolux Corporation	InnoCare Optoelectronics Corporation	Taiwan	Holdings, R&D, manufacturing and distribution company	200,000	200,000	20,000,000	100	429,093	167,269	167,269	
Innolux Corporation	Innolux Japan Co., Ltd.	Japan	Holdings, R&D and distribution company	1,682,751	1,682,751	98	54	2,089,039	95,805	52,156	
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	-	-	4,333	35	-	-	-	
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distribution company	308,993	308,993	27,812,188	63	314,178	10,003	6,305	
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	50	834,982	62,094	31,047	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Production and selling of the absorption for medical element	$ 73,500	$ 73,500	7,350,000	49	$ 377,751	$ 352,801	$ 172,872	
Innolux Corporation	eLux, Inc.	USA	R&D of MicroLED technology	91,155	91,155	300,000	28	33,501	(62,744)	(27,358)	
Innolux Holding Limited	Rockets Holding Limited	Samoa	Investment holdings	5,222,180	5,222,180	160,504,550	100	11,744,047	140,264	140,264	
Innolux Holding Limited	Suns Holding Ltd	Samoa	Investment holdings	555,422	555,422	18,177,052	100	6,252,728	82,308	82,308	
Innolux Holding Limited	Lakers Trading Limited	Samoa	Distribution company	-	-	1	100	216,977	-	-	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	3,650,192	3,650,192	146,817,000	100	6,051,597	88,589	88,589	
Innolux Hong Kong Holding Limited	Innolux Hong Kong Limited	Hong Kong	Distribution company	-	-	35,000,000	100	1,213,197	434,366	434,366	
Innolux Hong Kong Holding Limited	Innolux Japan Co.,Ltd.	Japan	Holdings, R&D and distribution company	1,815,603	1,815,603	82	46	1,748,285	95,805	43,649	
Innolux Hong Kong Holding Limited	CarUX Holding Limited	Cayman	Investment holdings	3,772,473	294,690	125,231,749	100	3,895,283	390,504	390,504	
CarUX Holding Limited	CARUX TECHNOLOGY PTE. LTD.	Singapore	Holdings and distribution company	3,769,371	291,588	125,131,749	100	3,892,513	390,593	390,593	
CARUX TECHNOLOGY PTE. LTD.	Innolux Optoelectronics Hong Kong Holding Limited	Hong Kong	Investment holdings	1,818,180	-	162,897,802	100	1,872,445	242,705	242,705	
CARUX TECHNOLOGY PTE. LTD.	Innolux Europe B.V.	Netherlands	Holding, distribution and R&D testing company	464,341	-	375,810	100	436,612	41,862	41,862	
CARUX TECHNOLOGY PTE. LTD.	CarUX Technology Inc.	Taiwan	R&D, manufacturing and distribution company	1,400,000	-	140,000,000	100	1,436,674	32,495	32,495	
Innolux Japan Co.,Ltd.	Innolux USA, Inc.	USA	Distribution company	369,092	369,092	12,842	100	826,092	96,636	96,636	
Rockets Holding Limited	Stanford Developments Limited	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	11,718,556	140,771	140,771	
Rockets Holding Limited	Nets Trading Ltd.	Samoa	Investment company	27,477	27,477	900,001	100	25,363	(507)	(507)	
Suns Holding Ltd	Warriors Technology Investments Ltd	Samoa	Investment company	555,422	555,422	18,177,052	100	6,252,726	82,308	82,308	
Innolux Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	17,421	2,748	2,748	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics India Private Limited	India	Distribution company	$ 607,284	$ 302,198	144,095,499	100	$ 100,057	($ 205,675)	($ 205,675)	
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics Philippines Corp.	Philippines	Manufacturer and distribution company	28,733	28,733	5,000,000	100	28,074	(274)	(274)	
Innolux Singapore Holding Pte. Ltd.	Innolux Optoelectronics Malaysia SDN. BHD.	Malaysia	Manufacturer and distribution company	121,179	121,179	16,000,000	100	115,513	394	394	
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Holdings, R&D, manufacturing and distributor company	858	858	77,235	-	872	10,003	18	
Yuan Chi Investment Co., Ltd.	Innolux Optoelectronics India Private Limited	India	Distribution company	-	-	1	-	-	(205,675)	-	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics Japan Co., Ltd.	Japan	Distribution company	87,149	87,149	30,010	100	118,528	34,426	34,426	
InnoCare Optoelectronics Corporation	InnoCare Optoelectronics USA, INC.	USA	Distribution company	27,963	27,963	900,000	100	37,895	11,712	11,712	
GIO Optoelectronics Corp.	Double Star Inc.	Mauritius	Investment holdings	298,113	298,113	10,000,000	100	99,349	(2,369)	(2,369)	

Innolux Corporation

Information on investments in Mainland China

Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note A)	Investment method (Note C)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for year ended December 31, 2020 (Note B)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Innocom Technology (Shenzhen) Co., LTD	Manufacturing and selling of LCD backend module and related components	$ 4,670,720	2	$ 3,614,446	$ -	$ -	$ 3,614,446	$ 140,770	100	$ 140,770	$ 11,718,508	$ 1,056,274	2.1
Guangzhou OED Technologies Co., Ltd.	Manufacturing and selling of electronic paper	296,767	2	56,960	-	-	56,960	160,561	4	-	18,948	-	2.2
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	8,828,800	2	209,757	-	-	209,757	417,233	100	417,233	20,506,150	4,916,643	2.3
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	10,907,840	2	10,907,840	-	-	10,907,840	192,623	100	194,937	20,736,609	-	2.3
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	4,556,800	2	4,556,800	-	-	4,556,800	359,418	100	359,418	5,263,115	-	2.3
Nanjing Innolux Technology Ltd.	Purchases and sales of monitor-related components	59,808	2	59,808	-	-	59,808	70,601	100	70,601	610,146	-	2.4
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,442,880	2	4,102,134	-	-	4,102,134	17,988	100	17,988	5,441,431	-	2.4
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	598,080	2	-	-	-	-	242,705	100	242,705	1,872,445	-	2.5
Foshan Innolux Logistics Ltd.	Warehousing services	42,720	2	42,720	-	-	42,720	2,998	100	2,998	88,726	-	2.6
GIO (Maanshan) Optoelectronics Co., Ltd.	Manufacturing	284,800	2	284,800	-	-	284,800	(2,370)	63	(1,498)	62,628	-	2.7
Ningbo Innolux Electronics Ltd.	R&D, Manufacturing and selling of LCD backend module and related components	67,087	1	-	-	-	-	26,528	100	26,528	105,055	-	
Shenzhen PixinLED Technology Co.,Ltd.	Development and selling of MINI LED	43,648	3	-	-	-	-	(2,618)	100	(2,618)	39,961	-	

Ceiling on investments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Innolux Corporation	$ 24,317,045	$ 30,850,437	(Note D)

Note A: The relevant figures were listed in NT$. Where foreign currencies were involved, the figures were converted to NT$ using exchange rate.

Note B: Profit or loss recognized for the year ended December 31, 2020 was audited by independent auditors.

Note C: The investment methods are as follows:

1. Directly investing in Mainland China.
2. Through investing in companies in the third area, which then invested in the investee in Mainland China.
   - 2.1. Through investing in Stanford Developments Limited in the third area, which then invested in the investee in Mainland China.
   - 2.2. Through investing in Warriors Technology Investments Ltd in the third area, which then invested in the investee in Mainland China.
   - 2.3. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.
   - 2.4. Through investing in Toppoly Optoelectronics (Cayman) Ltd. in the third area, which then invested in the investee in Mainland China.
   - 2.5. Through investing in Innolux Optoelectronics Hong Kong Holding Limited in the third area, which then invested in the investee in Mainland China.
   - 2.6. Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
   - 2.7. Through investing in Double Star Inc. in the third area, which then invested in the investee in Mainland China.
3. Others.

   The company invested via the company investment entities in Mainland China to invest in Shenzhen PixinLED Technology Co.,Ltd. Except for the investment via the holding companies in Mainland China, other investments shall not be approved by Investment Commission of the Ministry of Economic Affairs.

Note D: In accordance with “Rules Governing Applications for Investment or Technical Cooperation in Mainland China”, the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the ceiling amount of the investment in Mainland China is not applicable to the Company.

I. The amount approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 10,000 thousand, Amlink (Shanghai) Ltd. has finished liquidation in December 2019 but has not yet applied for the cancellation of investment with the Investment Commission of MOEA.

II. The amount approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 34,676 thousand, Interface Technology (ChengDu) Co., Ltd. disposed the equity interest held in its parent company, General Interface Solution (GIS) Holding Limited, on the open market but has not yet applied for the cancellation of investment with the Investment Commission of MOEA.

III. The Group adjusted the investment structure in the fourth quarter of 2020. InnoCare Optoelectronics Corporation acquired 100% of shares in Ningbo Innolux Electronics Ltd. The investment amount of InnoCare Optoelectronics Corporation to Ningbo Innolux Electronics Ltd. approved by the Investment Commission of Ministry of Economic Affairs (MOEA) is USD 3,172 thousand. However, as of December 31, 2020, the investment amount has not yet been remitted.

Item	Abstract					Amount
Petty cash						$ 265
Cash in banks						
Demand deposits						2,266,965
Foreign deposits	USD	454,951	In thousands	Exchange rate	28.48	12,957,010
	JPY	437,270	In thousands	Exchange rate	0.276	120,818
	EUR	1,349	In thousands	Exchange rate	35.02	47,235
	HKD	581	In thousands	Exchange rate	3.673	2,133
	KRW	78,116	In thousands	Exchange rate	0.026	2,047
	RMB	24,128	In thousands	Exchange rate	4.365	105,314
						$ 15,501,787

Items	Abstract	Amount	Remark
Third parties			
Company A		$ 6,500,972	
Company B		3,987,795	
Company C		2,668,385	
Company D		2,496,822	
Company E		2,347,718	
Company F		2,292,185	
Others		22,292,422	Balance of individual customers is under 5% of this account's balance.
		42,586,299	
Less: Allowance loss		(209,373)	
		$ 42,376,926	

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Item	Abstract	Cost	Market price	Remark
Raw materials		$ 3,341,200	$ 3,408,609	Use net realizable value as market price
Work in process		12,238,343	22,711,032	Use net realizable value as market price
Finished goods		10,249,159	14,006,638	Use net realizable value as market price
		$ 25,828,702	$ 40,126,279	

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Name	Beginning Balance		Addition		Deductions		Ending Balance			Market value or net equity value		Valuation Basis	Pledged as Collateral
	In Thousand Shares	Amount	In Thousand Shares	Amount	In Thousand Shares	Amount	In Thousand Shares	Percentage of Ownership	Amount	Unit Price	Total Amount		
Landmark International Ltd.	709,450	$ 44,796,827	-	$ 1,724,843	-	($ 14,719)	709,450	100%	$ 46,506,951	-	$ 46,506,951	Equity method	None
Innolux Holding Limited	180,568	17,999,010	-	416,406	-	(201,591)	180,568	100%	18,213,825	-	18,213,825	"	"
Toppoly Optoelectronics (B.V.I.) Ltd.	146,847	5,866,239	-	185,690	-	-	146,847	100%	6,051,929	-	6,051,929	"	"
Innolux Hong Kong Holding Limited	1,158,844	6,029,594	-	862,186	-	(34,275)	1,158,844	100%	6,857,505	-	6,857,505	"	"
Innolux Japan Co., Ltd.	-	2,058,019	-	52,156	-	(21,136)	-	54%	2,089,039	-	2,089,039	"	"
Leadtek Global Group Limited	50,000	1,499,000	-	61	-	(75,002)	50,000	100%	1,424,059	-	1,424,059	"	"
InnoJoy Investment Corporation	167,405	1,298,925	-	964,297	-	-	167,405	100%	2,263,222	-	2,263,222	"	"
Yuan Chi Investment Co., Ltd.	-	875,925	-	3,747	-	-	-	100%	879,672	-	879,672	"	"
InnoCare Optoelectronics Corporation	20,000	249,967	-	187,716	-	(8,590)	20,000	100%	429,093	-	443,102	"	"
Innolux Singapore Holding Pte. Ltd.	25,400	460,523	-	-	-	(211,850)	25,400	100%	248,673	-	248,673	"	"
GIO Optoelectronics Corp.	27,812	312,376	-	7,365	-	(5,563)	27,812	63%	314,178	-	301,123	"	"
Ampower Holding Ltd.	14,063	865,362	-	31,047	-	(61,427)	14,063	50%	834,982	-	834,982	"	"
FI Medical Device Manufactiurng Co., Ltd.	7,350	427,338	-	172,873	-	(222,460)	7,350	49%	377,751	-	377,751	"	"
Others	-	329,832	-	25,232	-	(228,198)	-	-	126,866	-	108,085	"	"
		$ 83,068,937		$ 4,633,619		($ 1,084,811)			$ 86,617,745		$ 86,599,918		

Note 1: Additions include gains on investment accounted for using equity method, change in investee's net equity value, cumulative translation adjustment, recognition of unrealized gain on investees' financial instruments and reorganization.

Note 2: Deductions include losses on investment accounted for using equity method, change in investee's net equity value, cumulative translation adjustment, cash dividend received, recognition of unrealised loss on investees' financial instruments and reorganization.

Items	Abstract	Amount	Remark
Third parties			
Company A		$ 2,646,090	
Company B		1,563,910	
Others		18,747,390	Balance of individual suppliers is under 5% of this account's balance.
		$ 22,957,390	

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Item	Quantity (in thousands)	Amount
TFT-LCD products	415,314	$ 265,436,103

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Item	Amount
Beginning raw materials	$ 3,123,743
Incoming inventory	77,202,599
Less: Ending raw materials	(3,574,169)
Scrapping materials	(27,750)
Sale of materials	(362,988)
Material consumption	76,361,435
Direct labor	10,733,654
Manufacturing expenses	157,341,831
Manufacturing costs	244,436,920
Add: Beginning work in process	14,500,252
Incoming inventory	4,192,892
Less: Ending work in process	(13,091,676)
Scrapping work in process	(94,644)
Cost of finished goods	249,943,744
Add: Beginning finished goods	10,559,223
Acquisition of finished goods	450,868
Less: Ending finished goods	(10,963,794)
Cost of goods manufactured	249,990,041
Add: Cost of sales of materials	362,988
Loss on scrapping inventory	122,394
Less: Gain on reversal of decline in inventory valuation	(23,182)
Operating cost	$ 250,452,241

Items	Amount	Remark
Processing fee	$ 95,764,706	
Depreciation and amortization	27,859,783	
Utilities expense	11,921,812	
Repairs and maintenance expense	9,160,901	
Others	12,634,629	Balance of individual accounts is under 5% of this account's balance.
	$ 157,341,831	

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Items	Selling expenses	General and administrative expenses	Research and development expenses	Total	Remark
Wages and salaries	$ 251,328	$ 1,266,315	$ 3,885,343	$ 5,402,986	
Depreciation expenses	632	381,011	2,509,704	2,891,347	
Royalty expenses	-	-	1,283,590	1,283,590	
Indirect materials	207	1,292	1,589,519	1,591,018	
Professional service expenses	16,318	1,214,141	147,046	1,377,505	
Others	880,708	1,564,512	1,620,767	4,065,987	Balance of individual accounts is under 5% of this account's balance.
	$ 1,149,193	$ 4,427,271	$11,035,969	$16,612,433	

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By nature	Year ended December 31, 2020				Year ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Employee Benefit Expense								
Wages and salaries	$ 15,728,521	$ 5,402,986	$ -	$ 21,131,507	$ 16,332,054	$ 5,715,555	$ -	$ 22,047,609
Labor and health insurance	1,395,323	439,449	-	1,834,772	1,514,393	485,140	-	1,999,533
Pension	666,929	271,677	-	938,606	700,751	276,613	-	977,364
Directors' compensation	-	12,474	-	12,474	-	8,710	-	8,710
Options	173,734	204,577	-	378,311	-	-	-	-
Others	882,010	252,520	-	1,134,530	913,537	249,291	-	1,162,828
	$ 18,846,517	$ 6,583,683	$ -	$ 25,430,200	$ 19,460,735	$ 6,735,309	$ -	$ 26,196,044
Depreciation	$ 27,800,268	$ 2,891,347	$ 28,290	$ 30,719,905	$ 27,817,879	$ 2,812,694	$ 25,051	$ 30,655,624
Amortization	$ 59,515	$ 121,879	$ -	$ 181,394	$ 84,397	$ 148,714	$ -	$ 233,111

Note:

1. As at December 31, 2020 and 2019, the Company had 28,078 and 29,555 employees, including 3 and 4 non-employee directors, respectively.
2. Company additionally disclose the following information：
   (1) Average employee benefit expense in current year was $905, average employee benefit expense in previous year was $886.
   (2) Average employees salaries in current year was $753, average employees salaries in previous year was $746.
   (3) Adjustments of average employees salaries was 0.94%.
   (4) The Company has set up an audit committee so there is no supervisor’s remuneration.

(5) The Company's salary and compensation policy (including directors, supervisors, managers and employees) is as follows:

The Company puts emphasis on employee compensation and benefits, and sets up a reward policy that is reasonable internally and competitive externally.

A. Directors and managers: The remuneration committee is responsible for setting up the remuneration for directors and managers. After taking comprehensive consideration for the Company's operational performance (including financial and non-financial points of view), personal performance and responsibilities the correlation and rationality between the development trend of the industry and the future operational risks, as well as referring to the external market levels, the remuneration committee reviews the individual salary and remuneration for directors and managers and proposes it to the Board of Directors for approval.

B. Employees: The Company conducts periodical market surveys and reviews to provide a salary level that surpasses the laws and regulations which is externally competitive. Each of employees' salaries are determined by their positions, education and work experience, length of professional service and work performance. The Company also considers and compares with the external market salary surveys to plan a more competitive salary and compensation scheme for employees, which will not be different because of the factors such as gender, age, marriage, race, nationality, religion and political views. The Company strives to build a high-quality work environment with well-established benefits.

Innolux Corporation
Chairman: Hung, Jin-Yang Hung